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Report No: PAD1030

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED GRANT

IN THE AMOUNT OF

US\$8.2 MILLION

TO THE

LEBANESE REPUBLIC

FOR AN

EMERGENCY NATIONAL POVERTY TARGETING PROGRAM PROJECT

June 6, 2014

*Human Development Sector
Middle East and North Africa Region*

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CURRENCY EQUIVALENTS

(Exchange Rate Effective March 31, 2014)

Currency Unit = Lebanese Pound (LL)
LL 1,504.51 = US\$1

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

AIS	Accounting Information Software	NGO	Non-Governmental Organization
BLF	Banque Libano-Française	NPTP	National Poverty Targeting Program
CCT	Conditional Cash Transfer	ORAF	Operational Risk Assessment Framework
CMU	Central Management Unit	PCM	Presidency of the Council of Ministers
CPS	Country Partnership Strategy	PFS	Project Financial Statements
CQS	Consultants' Qualifications Selection	PHC	Primary Healthcare Center
CSO	Community Service Organization	PMT	Proxy-Means Testing
DA	Designated Account	POM	Project Operation Manual
ESIA	Economic and Social Impact Assessment	POS	Points of Sale
ESPISP II	Second Emergency Social Protection Implementation Support Project	QCBS	Quality-and-Cost-Based-Selection
EU	European Union	RRP	Regional Response Plans
FBS	Fixed Budget Selection	SDC	Social Development Centers
FM	Financial Management	SOE	Statements of Expenditure
FO	Financial Officer	SP	Social Protection
FOT	Fiduciary Operations Team	SPPP	Social Protection and Promotion Project
FPA	Fiduciary Principles Accord	SSN	Social Safety Net
GDP	Gross Domestic Product	SSS	Single Source Selection
GOL	Government of Lebanon	TFL	Trust Fund for Lebanon
HBS	Household Budget Survey	TOR	Terms of Reference
ICB	International Competitive Bidding	UN	United Nations
IFR	Interim Financial Reports	UNDP	United Nations Development Programme
IMC	Inter-Ministerial Committee	UNHCR	United Nations High Commissioner for Refugees
IMF	International Monetary Fund	UNICEF	United Nations Children's Fund
IPSAS	International Public Sector Accounting Standards	ORAF	Operational Risk Assessment Framework
LCS	Least Cost Selection	VAT	Value Added Tax
M&E	Monitoring and Evaluation	WA	Withdrawal Application
MENA	Middle East and North Africa Region	WFP	World Food Programme
MIS	Management Information System		
MOF	Ministry of Finance		
MOPH	Ministry of Public Health		
MOSA	Ministry of Social Affairs		
NCB	National Competitive Bidding		
NFI	Non Food Items		

Regional Vice President:	Inger Andersen
Country Director:	Ferid Belhaj
Acting Sector Director:	Enis Baris
Sector Manager:	Yasser El-Gammal
Task Team Leader:	Haneen Ismail Sayed

LEBANON
EMERGENCY NATIONAL POVERTY TARGETING PROGRAM PROJECT

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PAD DATA SHEET

Lebanon

Emergency National Poverty Targeting Program Project (P149242)

PROJECT APPRAISAL DOCUMENT

MIDDLE EAST AND NORTH AFRICA

MNSSP

Report No: PAD1030

Basic Information			
Project ID P149242	EA Category C - Not Required	Team Leader Haneen Ismail Sayed	
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints [X] - Natural or Man-made Disaster		
	Financial Intermediaries []		
	Series of Projects []		
Project Implementation Start Date 6-June-2014	Project Implementation End Date 30-Jun-2017		
Expected Effectiveness Date 7-July-2014	Expected Closing Date 31-Dec-2017		
Joint IFC No			
Sector Manager Yasser Aabdel-Aleem Awny El-Gammal	Sector Director Enis Baris	Country Director Ferid Belhaj	Regional Vice President Inger Andersen
Borrower: Ministry of Finance			
Responsible Agency: Ministry of Social Affairs; Presidency of the Council of Ministers			
Contact: Telephone No:	Bashir Osmat 961-1-611242	Title: Email:	Advisor to the Minister of Social Affairs bashiros7@yahoo.fr
Contact: Telephone No:	Souheil Bougi 961-1-970760	Title: Fax:	Secretary General of the Presidency of the Council of Ministers 961-1-746786

Approval Authority

Approval Authority:

RVP Approval.

Trust Fund for Lebanon was Board approved, and subsequent child-trust funds are approved by RVP.

Safeguards Deferral (from Decision Review Decision Note)

Will the review of Safeguards be deferred? Yes No

Project Financing Data(in US\$ Million)

Loan Grant Guarantee

Credit IDA Grant Other

Total Project Cost: 213.93 Total Bank Financing: 8.20

Financing Gap: 117.83

Financing Source	Amount
Borrower	84.9
Trust Fund for Lebanon	8.2
Others	3.0
Financing Gap	117.83
Total	213.93

Expected Disbursements (in US\$ Million)

Fiscal Year	2015	2016	2017	2018					
Annual	4.1	1.6	1.5	1.0					
Cumulative	4.1	5.7	7.2	8.2					

Proposed Development Objective(s)

The objective of the Project is to expand the coverage and enhance the social assistance package of the National Poverty Targeting Program to Lebanese affected by the Syrian crisis and all Lebanese households under the Extreme Poverty Line.

Components

Component Name	Cost (US\$ Millions)
Component 1: Administration of the NPTP	3.89
Component 2: Provision of Social Assistance	3.76
Component 3: Fiduciary Operations Team	0.55

Institutional Data

Sector Board

Social Protection

Sectors / Climate Change				
Sector (Maximum 5 and total % must equal 100)				
Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Health and other social services	Other social services	100		
Total		100		
<input checked="" type="checkbox"/> I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.				
Themes				
Theme (Maximum 5 and total % must equal 100)				
Major theme	Theme	%		
Social protection and risk management	Social safety nets	50		
Social protection and risk management	Social risk mitigation	25		
Social protection and risk management	Vulnerability assessment and monitoring	25		
Total		100		
Compliance				
Policy				
Does the project depart from the CAS in content or in other significant respects?			Yes []	No [X]
Does the project require any waivers of Bank policies?			Yes []	No [X]
Have these been approved by Bank management?			Yes []	No []
Is approval for any policy waiver sought from the Board?			Yes []	No [X]
Does the project meet the Regional criteria for readiness for implementation?			Yes [X]	No []
Safeguard Policies Triggered by the Project			Yes	No
Environmental Assessment OP/BP 4.01				X
Natural Habitats OP/BP 4.04				X
Forests OP/BP 4.36				X
Pest Management OP 4.09				X
Physical Cultural Resources OP/BP 4.11				X
Indigenous Peoples OP/BP 4.10				X
Involuntary Resettlement OP/BP 4.12				X
Safety of Dams OP/BP 4.37				X
Projects on International Waterways OP/BP 7.50				X

Projects in Disputed Areas OP/BP 7.60			X
Legal Covenants			
Name	Recurrent	Due Date	Frequency
Operations Manual as set forth in Schedule II. Section I.C.(a)		6-Aug-2014	Once
Description of Covenant			
No later than one month after the Project's effective date, the Recipient shall prepare and adopt the Project Operations Manual, in form and substance acceptable to the World Bank.			
Name	Recurrent	Due Date	Frequency
Recruitment of Internal & External Auditors as set forth in Schedule II. Section V of the Grant Agreement	No	6-Dec-2014	Once
Description of Covenant			
No later than six months after the Project's Effective Date, the Recipient shall recruit an internal auditor and an external auditor with terms of reference satisfactory to the World Bank.			
Conditions			
Source Of Fund	Name	Type	
TFL	Withdrawal of Grant Proceeds as set forth in Schedule II Section IV. B.1 of the Grant Agreement	Disbursement	
Description of Condition			
Notwithstanding the provisions of Part A of Section IV no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed US\$400,000 equivalent may be made for payments made prior to this date but on or after January 1, 2014, for eligible expenditures under Category (1).			
Source Of Fund	Name	Type	
TFL	Withdrawal of Grant Proceeds as set forth in Section IV. B.2 of the Grant Agreement	Disbursement	
Description of Condition			
Notwithstanding the provisions of Part A of Section IV no withdrawal shall be made for payments for Eligible Expenditures under the Categories (1) and (2) if said Eligible Expenditures have been financed under the Social Promotion and Protection Project financed by the International Bank for Construction and Development.			

Team Composition					
Bank Staff					
Name	Title	Specialization	Unit		
Haneen Ismail Sayed	Lead Operations Officer	Team Lead	MNSSP		
Hassine Hedda	Senior Finance Officer	Senior Finance Officer	CTRLA		
Nina Bhatt	Lead Social Development Specialist	Lead Social Development Specialist	MNSSU		
Mei Wang	Senior Counsel	Legal	LEGAM		
Eric Ranjeva	Finance Officer	Finance Officer	CTRLA		
Alexandra Sperling	Legal Analyst	Legal	LEGAM		
Lina Fares	Senior Procurement Specialist	Senior Procurement Specialist	MNAPC		
Alaa Ahmed Sarhan	Senior Environmental Economist	Senior Environmental Economist	MNSEE		
Aissatou Dicko	Senior Program Assistant	Senior Program Assistant	MNSHD		
Rock Jabbour	Financial Management Analyst	Financial Management Analyst	MNAFM		
Rima Abdul-Amir Koteiche	Sr Financial Management Specialist	Sr Financial Management Specialist	MNAFM		
Dima Krayem	E T Consultant	E T Consultant	MNSSP		
Tala Khlaf	Program Assistant	Program Assistant	MNCLB		
Non Bank Staff					
Name	Title	Office Phone	City		
Tarsicio Castaneda	Consultant		Jakarta		
Locations					
Country	First Administrative Division	Location	Planned	Actual	Comments
Lebanon	Mont-Liban	Mohafazat Mont-Liban	X		
Lebanon	Mont-Liban	Mohafazat Mont-Liban	X		
Lebanon	Mont-Liban	Mohafazat Mont-Liban	X		

Lebanon	Beyrouth	Beyrouth	X		
Lebanon	Liban-Nord	Mohafazat Liban-Nord	X		
Lebanon	Liban-Sud	Mohafazat Liban-Sud	X		
Lebanon	Beqaa	Mohafazat Beqaa	X		
Lebanon	Nabatiye	Mohafazat Nabatiye	X		
Lebanon	Aakkar	Mohafazat Aakkar	X		
Lebanon	Baalbek-Hermel	Mohafazat Baalbek-Hermel	X		

I. STRATEGIC CONTEXT

A. Country Context

1. More than three years of conflict in Syria have resulted in a massive outflow of refugees into neighboring countries. As part of the group of neighboring countries that are most affected (Lebanon, Jordan, Turkey and Iraq), Lebanon has received the largest number of refugees reaching close to 25 percent of its pre-crisis population. As of March 2014, close to 990,000 Syrians have registered or are awaiting registration with the United Nations High Commissioner for Refugees (UNHCR). In addition to hosting the largest number of Syrian refugees in both absolute numbers and relative to its population, Lebanon has witnessed the largest rate of increase of refugee inflow compared to the other affected countries.¹ By end 2014 it is estimated that the number of Syrian refugees will increase to 1.6 million refugees (37 percent of Lebanon's pre-crisis population).

2. The Government of Lebanon (GoL) has maintained an open border policy since the beginning of the Syrian conflict and has permitted refugees to settle freely across the country. In addition, it has waived certain regulatory requirements and payments normally required of Syrian migrants. A feature of the influx in Lebanon has been the absence of camps and the absorption of many refugees into Lebanese communities, a remarkable tribute to the generosity and hospitality of the Lebanese people. While most refugees are renting accommodations (70 percent), over 450 informal settlements have emerged across the country, with the resultant complexity of the humanitarian and operational challenges that such a large influx has generated for the Lebanese authorities and communities. The majority of refugees (65 percent) have settled in the North and East (Beka'a) governorates but with growing numbers in Mount Lebanon, the South, and Beirut. This pattern is attributable principally to proximity to the Syrian border and to traditional cross-border ties and relationships. The large number of refugees has led to severe competition for (already limited number of) jobs and for access to public services and infrastructure.

3. To assist Lebanon in coping with the humanitarian dimension of the refugee influx, the international community, through the UNHCR and UN partner agencies, is supporting the largest humanitarian emergency operation of its kind in many years. To date, through the Regional Response Plans (RRPs), some US\$900 million of aid has been provided to support humanitarian assistance for the refugees in Lebanon. The latest RRP (RRP6) estimates needs in the order of US\$1.8 billion for 2014 for Lebanon. Registered refugees receive assistance for protection, food security, shelter, health and nutrition, education, water, sanitation and hygiene, and livelihoods.

4. With the escalation of the Syrian conflict, spillovers into Lebanon have rapidly moved beyond the humanitarian to the economic and social spheres where large, negative, and growing spillovers are occurring. At the request of the Government of Lebanon, the World Bank, in collaboration with the United Nations (UN), the European Union (EU), and the International Monetary Fund (IMF), undertook a rapid Economic and Social Impact Assessment (ESIA) of the

¹ In August 2013, Lebanon hosted approximately 670,000 Syrian refugees (registered and awaiting registration) compared to 515,000 in Jordan, 443,000 in Turkey, 170,000 in Iraq and 83,000 in Egypt. As of today, Lebanon hosts 963,000 refugees compared to 585,000, 643,000, 227,000, and 135,000 in Jordan, Turkey, Iraq, Egypt respectively (UNHCR data).

Syrian conflict on Lebanon for the 2012 to 2014 period.² The ESIA finds that during the 2012-2014 period, the conflict is estimated to: (1) cut real GDP growth by 2.85 percentage points each year, entailing large losses in terms of wages, profits, taxes, or private consumption and investment; (2) push approximately 170,000 Lebanese into poverty (over and above the 1.2 million currently living below the upper poverty line) and double the unemployment rate to above 20 percent, most of them unskilled youth; and (3) depress government revenue collection by US\$1.5 billion while simultaneously increasing government expenditure by US\$1.1 billion due to the surge in demand for public services. Across all key public services, the surge in demand is currently being met through a decline in both the access to and the quality of public service delivery. It is estimated that an additional spending of US\$2.5 billion will be required for stabilization, i.e., to reinstate the access to and quality of public services to their pre-Syrian conflict level.

5. Furthermore, the socio-economic consequences of the refugee crisis have led to increasingly fragile inter-communal relations and social tensions. Even if refugees are largely living in very basic and insecure circumstances themselves, Lebanese communities widely attribute the decline in their own living standards to the refugee presence. Notwithstanding the efforts of the Lebanese authorities to highlight their concerns on this point, the fact that Syrian refugees have hitherto been the main beneficiaries of international and government assistance remains a source of tension between communities.

B. Situations of Urgent Need of Assistance

6. This project is being prepared and implemented according to paragraph 11 of the World Bank Operational Policy (OP) 10.00, which allows for certain exceptions to the investment project financing policy requirements if the Bank deems the recipient to be in urgent need of assistance because of a man-made disaster or conflict (among other factors). The situation in Lebanon is characterized as both a man-made crisis (arrival of large refugee population), as well as the result of conflict (taking place in Syria).

7. The justification for processing this operation under paragraph 11 of the OP10.00 stems from the urgent need to address the expected additional impoverishment of the Lebanese people generated by the Syrian crisis especially in those communities most impacted by the influx of Syrian refugees. In addition, there is need to implement programs that will help reduce the rising social tensions between the two communities. Moreover, there are to date no indications that conditions in Syria will change in the foreseeable future, and it is expected that the costs stemming from hosting Syrian refugees in Lebanon will continue to rise.

8. In order to rapidly respond to the needs of the GOL in helping alleviating the poverty impact of the Syrian conflict, this project expedites the implementation of the scaling up of Lebanon's national social assistance program, the National Poverty Targeting Program (NPTP), which will be supported under the World Bank-financed Social Promotion and Protection Project (SPPP, Ln. 8260). However, due to the protracted political stalemate in Lebanon, the approval of the SPPP by cabinet and Parliament has been delayed and therefore the urgent need to advance the implementation of the NPTP component of the SPPP through grant financing.

² World Bank. (2013). *Economic and Social Impact Assessment of the Syrian Conflict on Lebanon* (ESIA)

C. Sectoral and Institutional Context

9. Even prior to the onset of the Syrian conflict and the inflow of large numbers of Syrian refugees, poverty in Lebanon was significant and regional disparities in living conditions were acute. It is estimated that nearly 27 percent of the Lebanese population, or 1.2 million people, are poor, living on less than US\$4 per day, and seven percent, or 300,000 people, are extremely poor, living on less than US\$2.40 per day (UNDP, 2008).³ Poverty is significantly higher in some regions, with the highest concentration of poor people found in the North governorate (52.5 percent), followed by the South governorate (42 percent) and the Beka'a (29 percent).

10. The Syrian conflict is projected to increase the poverty headcount of those below the upper poverty line by 170,000 people by end 2014. Simulations using household expenditures data show that, between 2012 and 2014, poverty in Lebanon was projected to continue its downward path in the absence of the Syrian conflict. In its presence, however, about 120,000 Lebanese are estimated to have been pushed into poverty in 2013, which is approximately three percent of the Lebanese (pre-conflict) population. If the current patterns were to continue, by 2014 another 50,000 are expected to join the ranks of the poor. By 2014, the rate of poverty incidence in Lebanon would therefore be four percent higher due to the impact of the Syrian conflict. At the same time, the existing poor (about one in seven Lebanese) would be pushed deeper into poverty through the impact on lower wages and higher unemployment rates.

11. Geographically, the majority of the Syrian refugees are located in regions already having high poverty rates, deepening the vulnerability of the Lebanese in these areas as competition for jobs, services and resources increases. Eighty-six percent of registered refugees and 65 percent of poor Lebanese are living in the same 215 cadasters out of some 1,600 cadasters nation-wide (UNICEF, 2013). Of the 1.2 million poor Lebanese, some 600,000 are considered as being particularly vulnerable.

12. Recent assessments have found that Lebanese households are facing higher expenditures as the costs of goods and services are rising, particularly foods.⁴ Local field studies pointed out to increases in food prices in 2012 by an average of 18 percent in Beka'a and twelve percent in the North. This is, in part, fueled by incoming cash to Syrian refugees, increased costs of transporting products to Lebanese markets due to increased prices of fuel, and the border closure which led to Lebanese purchasing goods and services from Lebanon when they used to purchase them from neighboring Syria at lower costs.

13. Rising food prices and the coping mechanisms with food vulnerability indicate a need to provide food assistance to help alleviate the impact of the crisis on the food security of poor Lebanese. To cope with increased expenditures and decreased incomes many Lebanese households are reducing savings, increasing debt, or cutting on meals. Beka'a residents, for instance, reported to mostly having to purchase food on credit (59 percent), borrow food (42 percent), and are spending from their own savings (37 percent). North residents buy "only afford to" food items (43 percent), reduce quality of meals (40 percent) and spend from savings (40

³ In 2013, the poverty rate was updated using the Consumer Price Index to US\$3.84 for the lower (food) poverty line.

⁴ 2012a, "Rapid Assessment of the Impact of the Syrian Crisis on Socio-Economic Situation in North and Beka'a," UNDP, August 2012.

percent). Spending from savings indicates that Lebanese households might not be able to sustain the current situation in the near future.

14. The Ministry of Social Affairs (MOSA) is the main government entity responsible for provision of social safety nets in Lebanon. It provides social services to specific categories of vulnerable groups, primarily through its Social Development Centers (SDCs). The MOSA has placed poverty alleviation as one of its main priorities and established the National Poverty Targeting Program (NPTP) in 2011 as the first poverty-targeted social assistance program for the poorest and most vulnerable Lebanese families. The MOSA has also placed the reform, reinforcement, and capacitation of its social development centers (SDCs) among its priorities to enable them to fulfill their mandated roles, including relief work such as in the case of the Syrian refugee crisis. The SDCs provide social services and promote integrated development at the individual, household and community levels. In 2011, SDCs delivered around 260,000 health services, 64,000 social services, 8,000 training services, and 5,000 education services—including nursing, volunteer work, foreign language, fighting illiteracy, school drop-out courses. Finally, the MOSA is committed to the reform of its community development programs through the adoption of an effective and transparent mechanism for the allocation of financial support to communities and community-based organizations.

15. The NPTP is managed by the MOSA and the Presidency of the Council of Ministers (PCM). It is the first poverty-targeted social assistance program in Lebanon with the objective to “provide social assistance to the poorest and most vulnerable Lebanese households based on transparent criteria that assess each household’s eligibility to receive assistance, given available public resources”.⁵ The NPTP is based on a proxy-means testing (PMT) targeting mechanism and is implemented through approximately 350 social workers and inspectors operating at the level of 98 SDCs. The social workers/inspectors have been trained to implement the targeting method and collect needed household information that is verified and processed using an automated management information system (see Annex II for further information on the NPTP).

16. To date, the NPTP social assistance (the basket of benefits) consists of the following: (i) comprehensive health coverage for beneficiaries in public and private hospitals through the waiver of 10-15 percent copayments for hospitalization; (ii) coverage of chronic disease prescription medications; and (iii) registration fee waivers and free books for students in primary and secondary public schools; (iv) food baskets for eligible households.⁶ In 2012, the Council of Ministers allocated US\$28 million for the financing of the social assistance, demonstrating its commitment to the NPTP. As of May 2014, more than 102,400 households (460,000 individuals) had applied to the program, and approximately 52,000 households (235,500 individuals) were deemed eligible to receive the benefits.

17. Going forward, in response to rising poverty levels in communities hosting refugees and in order to help mitigate tensions between the refugee and Lebanese communities, the GOL plans to enhance the package of social assistance provided through the NPTP by including food assistance via the electronic card food voucher system, currently being implemented by the

⁵ Cabinet policy statement on the NPTP (June 18th, 2009) formally adopting the program.

⁶ As of January 2014, 8,621 households benefited from NPTP food basket. Eligible households must have (i) head of household above 60 years old (ii) no more than three members (iii) all members are unemployed.

World Food Programme (WFP) in Lebanon for more than 670,000 Syrian refugees. The food basket benefit previously distributed by the NPTP has been discontinued and replaced with the e-card food voucher. In addition, primary health care services, through the Ministry of Public Health (MOPH), will be included in the package of benefits eligible under the NPTP. The GOL will also expand the coverage of the NPTP to include additional beneficiaries.

D. Higher Level Objectives to which the Project Contributes

18. The proposed project fully aligns with the GOL's priorities, and is also consistent with the Progress Report of the Lebanon CPS dated April 18, 2013, which already had highlighted the exacerbating effect of the Syrian conflict on Lebanon's fragile socio-economic and political environment. Since the Lebanon FY11-14 Country Partnership Strategy was prepared (July 28, 2010), the situation in Lebanon has changed as a result of the exogenous shock of the Syrian conflict, which is putting a strain on hosting communities that are already facing challenges in terms of service delivery and poverty levels. The priorities of the GOL have consequently been adapted, and are now focused on short term stabilization of the impact of the crisis on Lebanon and building medium-term resilience. The GOL's Roadmap of Priority Interventions for Stabilization from the Syrian Conflict,⁷ developed as an outcome of the ESIA, provides a set of priority short and medium term interventions targeted towards supporting Lebanese communities, households, and the economy more broadly. In this regard, the GOL has placed addressing the poverty impact of the Syrian conflict on poor Lebanese households as one of its main priorities in the immediate term through the scaling up of the NPTP.

19. The full extent of the impact of the Syrian conflict on Lebanon, and on poorer Lebanese in particular, as highlighted in the ESIA, has prompted an important and much needed shift in both policy and operational responses on the part of the humanitarian assistance effort. Recognizing the need for a more balanced and comprehensive approach, greater attention is being devoted to addressing both the refugee requirements and the immediate needs of local Lebanese communities. The change in emphasis is reflected in the inclusion in the humanitarian appeals of a "stabilization pillar" in line with the Track 1 of the Roadmap, which focuses on support for Lebanese communities and households to be implemented through government and international assistance channels. Among the stabilization programs aimed for Lebanese households in the RRP6 is a proposed food assistance program supported by the WFP to vulnerable Lebanese households, which would not only address food security for the poor, but also help mitigate tensions surrounding humanitarian aid. This project will provide the platform for which such a program will be implemented and financed. With initial financing from the World Bank and the UNHCR, it is expected that donor funding will be attracted through this platform.

20. While addressing an immediate and urgent crisis, the project also contributes to the strategic objectives of the World Bank of "ending extreme poverty and promoting shared prosperity," particularly through targeting households that fall under the extreme poverty line. The project supports the principle of equity through provision of similar benefits for Lebanese extreme poor households and Syrian refugees. Finally, the design of the Project ensures that it also contributes to the wider strategies of the Bank's Middle East and North Africa (MENA)

⁷ *Lebanon Roadmap to Mitigate the Impact of the Syrian Conflict*, November 2013

Region and the World Bank's strategic directions as a whole; namely the project targets the poor and vulnerable through enhancing an existing social safety net program, and strengthens governance through reinforcing the capacity of the MOSA in delivering effective social safety nets.

II. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

21. The objective of the Project is to expand the coverage and enhance the social assistance package of the National Poverty Targeting Program (NPTP) to Lebanese affected by the Syrian crisis and all Lebanese households under the Extreme Poverty Line.

22. Specifically, the project aims to expand the coverage of the NPTP from approximately 195,000 (baseline in 2013) to 350,000 (2016/2017). It also aims to introduce new benefits to the already existing basket of benefits, namely food assistance provided through an electronic card system, and primary health care through the Ministry of Public Health. The introduction of the food assistance in particular will help reduce tension between Lebanese and Syrian refugee communities.

Project Beneficiaries

23. In order to address the expected additional impoverishment of the Lebanese people generated from the Syrian crisis, the NPTP would need to be scaled up to absorb 50,000⁸ extreme poor expected in 2014, in addition to an increase of more than 100,000 in 2015/2016 to reach the remaining 4 percent extreme poor.⁹ The project beneficiaries consist of the following:

- *Extreme poor households and those affected by Syrian conflict:* The beneficiaries of the project are: (a) the extremely poor households as defined by those under the lower poverty line; and (b) extremely poor Lebanese households who have been further impoverished as a result of the Syrian crisis.
- *MOSA:* The project will help strengthen MOSA's capacity as lead social safety net ministry by helping it develop the skills needed for administering a well-targeted and efficient social safety net system to a wider set of beneficiaries. The adoption of the e-card food voucher program, in cooperation with the WFP, will bring additional technical assistance to the MOSA.

⁸ Based on estimates that 170,000 additional Lebanese will fall below the upper poverty line, 50,000 represent those under the lower/extreme poverty line.

⁹ To date, the NPTP has reached 195,000 individuals (4% of the extreme poor). We expect the extreme poor to increase by 1% (50,000 individuals) in 2014. The program will need to target the remaining 4% of the extreme poor assuming that the number of extreme poor in the remaining two years of the project will remain constant.

PDO Level Results Indicators

24. Progress towards the PDO will be monitored through the following key indicators related to the full NPTP program:

1. Direct Beneficiaries of safety net programs (*Core Indicator*), tracking in particular the number of female beneficiaries and the total number of NPTP beneficiaries.
2. Beneficiaries of safety net programs, of which e-card food voucher beneficiaries.
3. NPTP beneficiaries from extremely poor households as a share of total NPTP beneficiaries, as a measure of the targeting accuracy of the program.

25. Table 1 below provides a breakdown of the number of benefits in the three years of the project.¹⁰ By the end of the project, the NPTP aims to provide a total of approximately 251,000 health benefits, 70,000 education benefits, and e-card food vouchers to 195,000 beneficiaries. The health and education benefits will continue to be financed by the government, while the project will specifically finance 10,444 e-card food voucher beneficiaries, and the UNHCR will finance an additional 8,333 e-card food voucher beneficiaries between the first and second year of the project. Reaching the above mentioned targets for the e-card food voucher benefit is subject to the availability of donor funds.

¹⁰ The number of benefits exceeds the number of beneficiaries because a beneficiary can receive more than one benefit.

Table 1: Number of Benefits to be provided

Number of Benefits to be Provided 1/	Year 1	Year 2	Year 3
Health	125,688	150,825	250,540
Hospitalization 2/	36,563	43,875	52,500
Primary Healthcare Services-MOPH 3/	73,125	87,750	175,000
Medication (Chronic) 4/	16,000	19,200	23,040
Education 5/	48,750	58,500	70,000
Food Baskets			
E-card Food Voucher	50,000	100,000	195,000
of which financed by the WB	5,222	5,222	
of which financed by UNHCR	8,333		
Total Benefits	224,438	309,325	515,540

Source: MOSA NPTP Team & World Bank Staff Calculations

1/ One beneficiary can receive more than one benefit, thus the total number of benefits will always exceed the total number of beneficiaries.

Year 1 refers to 2014/2015, Year 2 to 2015/2016, and Year 3 to 2016/2017 respectively.

2/ Hospitalization beneficiaries are estimated at 15% of the total number of eligible beneficiaries

3/ Primary healthcare services beneficiaries are estimated at 30% of the total number of eligible beneficiaries

4/ The number of beneficiaries that have reported chronic illness is 40,000 (20% of the eligible NPTP beneficiaries). The Chronic medication beneficiaries are estimated at 40% of that number.

5/ Education Beneficiaries are estimated at 20% of the total number of eligible beneficiaries

III. PROJECT DESCRIPTION

26. The Emergency NPTP project consists of two technical components and a fiduciary operations component. Specifically, the components are: (i) administration of the NPTP; (ii) provision of Social Assistance; and (iii) fiduciary operations.

A. Project Components

Component 1: Administration of the NPTP (US\$11.18 million total cost, of which US\$3.89 million financed from TFL, and US\$6.9 million from the GOL)¹¹

27. This component's objective is to ensure an effective and efficient administration and implementation of the NPTP through its structures in the MOSA and the Presidency of the Council of Ministers (PCM), so that it can expand the coverage and enhance the social assistance to extremely poor Lebanese households and those affected by the Syrian crisis. This component will also improve the efficiency of the NPTP. To achieve its objective, this component will finance technical assistance for the following activities:

¹¹ There is a potential financing gap of US\$390,107 for this component reflecting the costs of additional e-cards which would be needed if the additional number of beneficiaries of the food component are to be reached.

- (a) Supporting the program management team in the MOSA and the PCM;
- (b) Recertification of applicants in 2015 including refining the program application forms and PMT questionnaire;
- (c) Upgrading the NPTP Management Information System (MIS);
- (d) Refining the grievance and redress mechanism for improved efficiency and transparency;
- (e) Monitoring and evaluation of the program, including evaluating the business processes of the NPTP, and implementation of short quantitative and qualitative surveys (beneficiary assessments, opinion polls on awareness, etc.);
- (f) Carrying out an outreach campaign to enroll new beneficiaries particularly in the poorer and remote areas;
- (g) Providing training to Beneficiaries in the use of Food Vouchers, and providing technical assistance to the NPTP Project Unit in managing, assessing and monitoring the implementation of the e-card Food Voucher program;
- (h) Provision and maintenance of the e-cards for the food vouchers;
- (i) Capacity building and training for NPTP staff and social workers in the implementation of the NPTP;
- (j) Provision and maintenance of information technology and other equipment for the NPTP; and
- (k) Provision of Allowances (in the form of transportation and training allowances)¹² for the NPTP social workers to enable them to carry out their tasks and enhance their productivity.

Component 2: Provision of Social Assistance (US\$202.2 million total cost, of which US\$3.76 million financed from TFL; US\$3 million from the UNHCR; US\$78 million from the GOL)¹³

28. This component provides a package of social assistance benefits to 350,000 extremely poor Lebanese households¹⁴ and those affected by the Syrian crisis for a three year period. The package of assistance consists of: (i) comprehensive health coverage in public and private hospitals through the waiver of 10-15 percent copayments for hospitalization; (ii) comprehensive primary health care coverage at MOPH primary healthcare facilities or at the MOSA Social Development Centers; (iii) coverage of chronic disease prescription medications; (iv) registration fee waivers and free books for students in primary and secondary public schools; and (v) basic food needs through the e-card food voucher program.

29. The GOL will continue to finance the costs of the health, medication, and education benefits, while the project will finance the provision of e-card food vouchers for 10,444 beneficiaries in the first year.¹⁵ The e-card food voucher program, currently being implemented in Lebanon by the WFP for more than 670,000 refugees, aims to fulfill a minimum caloric intake

¹² It is important to note that the very large and sudden presence of international humanitarian agencies in the past 2 years in Lebanon has seen many qualified social workers of MOSA/NPTP leaving for higher salaries offered by these organizations. In order for the salaries of the social workers hired by the MOSA for the NPTP to remain somewhat competitive, there is need to increase their incentives.

¹³ There is a financing gap of US\$117.4 million for this component to fund the e-card food voucher benefit.

¹⁴ The project aims to increase the number of eligible NPTP beneficiaries from 195,000 beneficiaries in 2013 (baseline) to 244,000 in 2014, 293,000 in 2015, and 350,000 in 2016 respectively.

¹⁵ Reaching the target of 50,000 e-card food voucher beneficiaries in the first year is subject to the availability of funds.

– estimated at approximately US\$30/month/person - via a prepaid electronic voucher (e-card).¹⁶ In addition to addressing basic food needs of extremely poor Lebanese households, the introduction of the e-card food component in this phase of the NPTP will help mitigate tensions between the Syrian refugee and Lebanese host communities.

30. The NPTP will use the same system as that deployed by the WFP, with some modifications to align it with the implementation modality of the NPTP. Using the targeting criteria of the NPTP – that is, the poorest as defined by the Proxy-Means Testing methodology – each eligible household is provided an e-card (issued from MasterCard via a local partner commercial bank) with a monthly value of US\$30/person.¹⁷ The e-cards can be utilized at some 285 shops around the country that have been contracted by the WFP, with each shop having opened an account with the partner commercial bank and where “points of sale” (POS) machines are installed. The purchase of alcohol and tobacco are not permitted in the program. The WFP signs a contract with the merchant that specifies the requirements, and if a shop does not meet the standards it receives a warning or is not permitted to remain in the program. The WFP is undergoing a review of the shop selection criteria and plans to open up the application process to all interested shops by June 2014. Under the Emergency NPTP, the WFP will continue to maintain responsibility for shop selection/de-selection and responsibility for shop monitoring (through the commercial bank’s monitoring system; regular visits to the shops; feedback mechanisms through household visits, focus groups and hotlines; investigation into shops if negative feedback is received, etc.) Annex II contains further details of the WFP program and its implementation through the Emergency NPTP.

31. In the first year of the program, the poorest 50,000 NPTP beneficiaries will receive the e-card food voucher benefit, in addition to all other NPTP benefits that they are already receiving.¹⁸ The geographic distribution of the current lowest 50,000 NPTP beneficiaries can be found in Annex II. The project will fund 10,444 beneficiaries out of the prospective 50,000 e-card food voucher beneficiaries. In the second and third year, the program aims to provide e-card food vouchers to the poorest 100,000 and 195,000 NPTP beneficiaries respectively, subject to availability of funds.

32. Introduction of an e-card technology into the NPTP could serve as a means to monetizing or adding other benefits down the road, if the experience with the e-card proves effective and efficient. This could easily be implemented by adding non-food items (NFIs) to be purchased with the e-card.

Component 3: Fiduciary Operations Team (FOT) (US\$0.55 million total cost, financed from TFL)

33. The Fiduciary Operations Team (FOT) will be responsible for implementation of the procurement and financial functions of the project, working closely with the teams in MOSA and the PCM who are implementing the program activities. The FOT will play two key roles in the

¹⁶ Eligible families are registered by UNHCR and based on a vulnerability criteria agreed by WFP and UNHCR.

¹⁷ To a maximum household size of 6 members.

¹⁸ In cases where a new applicant is ranked as one of the poorest 50,000 beneficiaries using the NPTP database, she/he will receive all NPTP benefits including the e-card food voucher.

project: (i) managing the procurement process through the various stages for all contracts (goods, consulting services, and operating costs), as well as updating and implementing the procurement plan; and (ii) handling financial management, including payments for all contracts, financial reporting, and ensuring external audits are undertaken in compliance with requirements. The FOT will be composed of: (i) Procurement Specialist, (ii) Financial Management Specialist, (iii) Procurement Assistant, and (iv) an Internal Auditor.

B. Project Financing

Financing Instrument

34. The financing instrument is a grant-based Investment Project Financing (IPF) for the amount of US\$8.2 million from the World Bank Trust Fund for Lebanon (TFL).¹⁹

Project Cost and Financing

35. Total project costs is US\$213.93 million, of which US\$8.2 million will be financed by the World Bank (through the Trust Fund for Lebanon grant), US\$3 million from the UNHCR, and US\$84.9 million from the GOL, for a project implementation period of three years. There remains a financing gap of US\$117.83 million for the e-card food voucher component, including the administration of the e-card food voucher system. The project serves as a platform for donor assistance in support of e-card food voucher program. The breakdown of project costs among the three components is shown in

36. Table 2 below.

Table 2: Project Costs (millions of US\$)

Components	World Bank	UNHCR	GOL	Financing Gap	Total Project Costs
Component 1: Administration of NPTP	3.89		6.90	0.39	11.18
Component 2: Social Assistance	3.76	3.00	78.00	117.44	202.20
Health Benefits			62.30		62.30
Education Benefits			15.69		15.69
E-card Food Vouchers	3.76	3.00		117.44	124.20
Component 3: FOT	0.55				0.55
TOTAL	8.20	3.00	84.90	117.83	213.93

¹⁹ The Trust Fund for Lebanon (TFL) was established in September 7, 2006, with a transfer of US\$70 million from IBRD surplus, in order to support Lebanon in its reconstruction and reform stage following the summer 2006 hostilities. The closing date of the Trust Fund for Lebanon was extended to December 31, 2024, in order to address the impact of the Syrian conflict on Lebanon.

C. Lessons Learned and Reflected in the Project Design

37. The proposed Emergency NPTP builds upon the experiences of the first phases of the NPTP in Lebanon,²⁰ World Bank experience in supporting social safety net systems around the world, and World Food Program experiences with food assistance in emergency situations in Lebanon and globally.

(a) Lessons from NPTP:

- Wide-ranging and sensitive outreach and awareness campaigns are needed to achieve the intended impact for social safety net programs. The project will invest in a broad-ranging outreach and awareness campaign both at the national and local levels. The NPTP learned from its initial PR campaign that portraying the poor in too negative a way creates stigma and dissuades potential target beneficiaries from applying. The messages of the PR campaign will be refined, and a more focused and local effort will be made to reach out to poor households and encourage them to apply.

(b) Lessons from World Bank global experiences with social safety nets:

- Targeting effectiveness of a safety net program depends to a critical extent on the availability of adequate resources, including properly-trained staff, clarity of program rules and regulations and institutional responsibilities, as well as the establishment and maintenance of computerized databases to aid beneficiary identification and avoid duplication (Grosh et al. 2008). The NPTP has been designed with the above elements.
- As pointed out in the literature on targeting methods (most recently, in Silva et al. 2012), categorical and geographical targeting methods work best when poverty is highly concentrated in terms of either location (urban slums or remote rural areas) or in categories (by age, gender, or family status). Since poverty in Lebanon is complex and multi-faceted, these targeting methods were rejected. Means tests (i.e., income based eligibility) work well in countries with well-developed and synchronized information systems that can allow for verification of income information, which is otherwise often unreliable; moreover, means tests do not work well in environments with high informality. Since Lebanon has a high rate of informality as well as a dearth of reliable information on income, means tests were also rejected. Finally, community targeting was rejected due to the post-conflict environment and the fragility of community relations in the country. The chosen targeting method – proxy means test – for NPTP has been demonstrated to work well in countries with high informality and unreliability of income information, and it relies on an objective assessment of a household’s welfare based on observable correlates of living standards.²¹

²⁰ The NPTP was piloted under the ESPISP I (2009), and launched nation-wide under the ESPISP II (2011-2013).

²¹ Silva et al. (2012), *Inclusion and Resilience: The Way Forward for Social Safety Nets in the Middle East and North Africa*. MENA Development Report. Washington, DC: The World Bank.

(c) Lessons from WFP:

- It is important to provide humanitarian and long-term development assistance to both refugee and host communities as one way for reducing tensions between the two groups as highlighted in much literature.²² One of the crucial barriers to successful programs lies in the tendency for donors to keep humanitarian assistance for refugees separate from broader development assistance. This weakens humanitarian agencies' ability to support interventions that foster long-term relationships with host populations.²³ The WFP has adopted this approach in a variety of its programs such as in Ecuador where food and security of refugees and Ecuadorians is provided in tandem.
- Electronic cards for food distribution are superior to paper vouchers. In early 2013, WFP began to shift from the use of a paper voucher system for food distribution to an electronic, pre-paid voucher system. Distributions, collection of vouchers and reconciliations, is carried out more quickly and effectively as e-cards only have to be printed once, after which credit will be automatically transferred to the cards each month. Transportation and distribution will also have to take place on one occasion, reducing time and costs for both beneficiaries and WFP. As a result, WFP and partner staff have additional time to pursue additional tasks such as compliance and monitoring. Moreover, spending patterns and fraud can be tracked through electronic monitoring; the electronic system allows WFP to track transactions, to gather data on the frequency the cards are used, and for which commodities.
- Intensive monitoring and sensitization of beneficiaries and key stakeholders is necessary to ensure that beneficiaries receive the planned rations in voucher-based projects.²⁴

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

38. Program implementation is the responsibility of the NPTP Project Unit in the MOSA and the NPTP Central Management Unit (CMU) at the Presidency of the Council of Ministers (PCM). A fiduciary operations team (FOT), in the PCM, will be responsible for handling all fiduciary aspects of the project.

²² Jacobsen, K., 2002, 'Livelihoods in Conflict: The Pursuit of Livelihoods by Refugees and the Impact on the Human Security of Host Communities', *International Migration*, Vol. 40, No. 5, pp.95-123. Ikanda, F., 2008, 'Deteriorating Conditions of Hosting Refugees: A Case Study of the Dadaab Complex in Kenya', *African Study Monographs*, Vol. 29, No. 1, pp. 29-49. http://jambo.africa.kyoto-u.ac.jp/kiroku/asm_normal/abstracts/pdf/29-1/07-14Ikanda.pdf

²³ Martin, A., 2005, 'Environmental Conflict Between Refugee and Host Communities', *Journal of Peace Research*, Vol. 42, No. 3, pp. 329-346.

²⁴ World Food Program, "Cash and E-Vouchers in Zimbabwe: A few lessons learned." *www.wfp.org*. N.p., n.d. Web. <<http://www.wfp.org/aid-professionals/blog/cash-and-e-vouchers-zimbabwe-few-lessons-learned>>.

39. The NPTP Project Unit in the MOSA is responsible for the following: (i) managing the NPTP database in MOSA; (ii) receiving household applications; (iii) interfacing with applicants; (iv) entering data; (v) conducting household visits; (vi) checking for data errors; (vii) transmitting data to the central database of the NPTP CMU; (viii) verifying claims from hospitals, schools, and primary healthcare centers (PHCs) and authorizing payments; (ix) managing the outreach campaign; (x) managing the e-card food voucher beneficiaries list, delivery of the e-cards to beneficiaries, and follow up; and (xi) monitoring of the program (specifically inputs and outputs).

40. The NPTP CMU in the PCM is responsible for the following: (i) managing the central database; (ii) validating data and cross-checking with national databases; (iii) processing household data and generating scores and ranks according to the PMT formula; (iv) maintaining the PMT formula, and providing the list of beneficiaries (v) analyzing national data and reporting findings to the Social Inter-Ministerial Committee (Social-IMC); (vi) monitoring of program results including targeting performance; and (vii) auditing data processing.

41. MOSA SDCs are responsible for: (i) receiving household applications and interface with applicant; (ii) data entry into program application; (iii) conducting household visits; (iv) checking possible data errors in application forms against provided official documents; (v) transmitting households' application data to MOSA central unit; and (vi) handling appeals and claims received by households.

42. With respect to the implementation arrangements of the e-card food voucher, the following arrangements have been agreed upon: (i) WFP will conduct training for NPTP field work coordinators and social workers, including on assessments, distribution, monitoring and household visits; (ii) NPTP will be responsible for distribution and training of beneficiaries on the use of the e-card, as well as assessing and monitoring of food security indicators; (iii) WFP will provide the *Banque Libano-Française* (BLF) with the necessary information/data based on the NPTP database and operations for the production, activation and loading of e-cards; (iv) WFP will in turn share reports from the bank on transactions and spending patterns; and (v) WFP and its identified partner(s) will continue to support NPTP through joint reporting and monitoring in the field. (For more details on the business processes and implementation, see Annex II).

B. Results Monitoring and Verification

43. The results monitoring framework assesses progress towards the PDO through key indicators, focusing on expanding the coverage and social assistance of the NPTP. Specifically, the project will monitor the number of direct project beneficiaries of education, health and e-card food vouchers. All data will be collected disaggregating by gender to be able to monitor participation by women and girls. In addition, intermediate indicators will monitor program awareness and efficiency in terms of timing between application and eligibility notification, over the life of the project.

44. A computerized modular MIS, developed under the first phase of the NPTP, is the central piece of the monitoring and evaluation (M&E) system and includes a module to register applicant households in the NPTP database, record the results of their eligibility assessment

(including their NPTP score), follow their utilization of benefits, and register complaints and grievances. It will be further developed under this project.

45. With respect to the e-card food voucher program, specific food commodities will be monitored through household visits (including food consumption and diversity) and shop visits. E-card transactions go through the commercial bank's fraud detection system before authorization, following Master Card's best practices for prepaid fraud detection both at system and process levels. Currently, WFP receives monthly reports on all the merchant transactions and beneficiary spending (day, time, location, amount). The commercial bank has also developed an on-line platform so to allow for searching card status, transaction details, etc. by beneficiary or by merchant. The WFP can remotely freeze a POS or card if any suspect activity is flagged or discovered while investigating the problem (either through the bank reports or by follow-up in the field). The WFP is also working closely with Master Card and the commercial bank on applying additional fraud monitoring tools related to velocity, timing, density, etc. The WFP staff will train NPTP staff on the monitoring tools, including household visits, and sampling for the NPTP. The WFP will identify a partner in the field that can support the NPTP through joint monitoring and reporting. In addition, the WFP and the NPTP program will agree on a rapid assessment and baseline on food consumption.

46. The project will conduct mid-term and post-completion evaluations to gauge progress towards the PDO, to assess the impact of the project on the ultimate beneficiaries and on MOSA, and to assess the quality of the services provided, as well as overall project efficiency. The focus of such evaluations will include: (i) the performance of the NPTP with respect to the program's coverage of the extremely poor households, as well as targeting accuracy; (ii) effectiveness and efficiency of NPTP procedures for registration and assessment of applications, addressing complaints and grievances, prevention of and reporting on fraud and corruption, and provision of reimbursement to service providers (schools, hospitals, etc.).

C. Sustainability

47. Expansion of the NPTP program to reach all extreme poor families is financially sustainable after the project period as the program share of government expenditures and GDP will remain modest. Starting from a low expenditure level on social safety nets (Lebanon is the lowest in the MENA region – see Annex VI), the project is expected to increase expenditures on the NPTP from 0.25 percent to 0.57 percent of total government expenditure between 2014 and 2016/2017, respectively (and from 0.08 percent to 0.18 percent of GDP), sustainable amounts.

48. With respect to sustainability of the e-card food assistance program - it is expected that the program would be scaled down after the spillover effect of the Syrian conflict subsidies. This aspect has been taken into account in the design of the food voucher e-card which will be a separate card from the standard NPTP card and is labeled "Temporary Food Card," making it clear to beneficiaries that the program has a time limit. The e-card food voucher program will be announced for a certain period of time such as for three or six months at a time, depending on availability of funds. Once the impact of the conflict subsidies—and corresponding refugee presence is reduced—the e-card can be withdrawn or deactivated.

V. KEY RISKS AND MITIGATION MEASURES

A. Risk Ratings Summary Table

Risk Category	Rating
Stakeholder Risk	Substantial
Implementing Agency Risk	
- Capacity	Substantial
- Governance	Substantial
Project Risk	
- Design	Substantial
- Social and Environmental	Moderate
- Program and Donor	Substantial
- Delivery Monitoring and Sustainability	High
Overall Implementation Risk	High

B. Overall Risk Rating Explanation

49. Below is a more detailed description of some specific risks.

- Availability and readiness of human resources, particularly social workers for the NPTP, and at the SDC levels.* The success of the NPTP program depends on having the adequate numbers and quality of social workers/social inspectors. During the first phase of the NPTP, the program hired some 350 social workers/social inspectors (to accept applications, conduct household visits, enter applications, etc.), essentially operating as the backbone of the program. It is expected that the social workers/social inspectors will continue to be employed under the NPTP Phase II as contractors. However, due to significantly higher wages being offered by the humanitarian organizations, a noteworthy number of social workers are leaving the program after being trained. Losing experienced and trained social workers may hinder the progress of the program, for the quality of social workers, and their competency in monitoring is critical to the success of the program. The project will partially mitigate this risk by providing additional incentives to the social workers in the form of transportation cost allowances and training.
- Error, Fraud and Corruption:* The possibility of making errors in the registration and eligibility assessment of NPTP applicants, as well as benefit provision for NPTP beneficiaries, is real and exists in any SSN program of this type. Several factors will reduce such possibilities. To begin with, the application of the targeting formula is fairly straightforward as it is based on the observable and verifiable assessment of each household's correlates of welfare (such as household composition, living conditions, and possession of certain durables);

thus, while still possible, the formula is relatively difficult to tamper with. Second, over the past year of NPTP implementation, the project team has gained experience in detecting errors, and a system is in place. Third, even if the risk of interference in the selection of NPTP beneficiaries turns out to be high, instances of fraud and corruption should be fairly easy to detect with proper supervision given the observable nature of indicators comprising the targeting formula.

- *Monitoring and Evaluation:* A well-performing, modular MIS is a must to ensure proper monitoring and evaluation. However, since such systems are new, they will inevitably face some design and programming problems and will require adjustments. Fortunately, an MIS for the NPTP has already been designed for the first phase of the program. It appears to be working properly and the counterpart teams are using it to monitor program implementation and generate regular progress reports.
- *Sustainability of the e-card food voucher component* is a major risk in this project. Major funding requirements (US\$30 per beneficiary per month) need to be met in order to keep delivering this benefit throughout the project and reach the targeted number of beneficiaries by the end of the project.
- *The NPTP program is currently managed by two high-level government entities* (MOSA and the PMO), which could lead to implementation slow-down or grid-lock in the event of diverging views on program implementation issues. This risk is being mitigated by ensuring clear division of labor and terms of reference of each entity.

VI. APPRAISAL SUMMARY

A. Economic and Technical Analysis

50. The primary objective of public involvement in social safety nets is to provide poor and vulnerable households with effective and reliable protection against destitution, to help them navigate idiosyncratic and systemic shocks, and to promote their inclusion in the society. Prior to the launch of NPTP, the Government of Lebanon played only a minor role in this sphere apart from financing untargeted price subsidies, and financing non-state organizations, such as NGOs and CSOs, that provided a wide spectrum of programs to different target groups in the country. While these charitable and religious organizations (who are 90 percent confessional-based) assist many poor and vulnerable people, the rationale to increase public involvement in SSN provision is two-fold: (1) to ensure horizontal equity, so that two persons with the same standard of living have access to the same basket of SSN benefits, irrespective of their geographical location or political/religious affiliation; and (2) to obtain efficiency gains through consolidation of SSN provision and targeting resources to the neediest members of society (details in Annex VI).

51. The current basket of benefits is expected to have economic impacts on two levels, household and aggregate. On the household level, the NPTP is expected to increase disposable income and consumption for extremely poor households, prevent food deprivation, and it may improve their education and health outcomes if it affects behavioral changes in the utilization of

education and health services. The e-card food voucher is meant to provide the minimum caloric intake needed for vulnerable Lebanese families.²⁵

52. On the aggregate level, this program is expected to increase utilization of health and education services, with all the corresponding externalities these changes imply. While the magnitude of such changes cannot be estimated ex-ante, the NPTP is also expected to reduce the level of extreme poverty and inequality in the country (details in Annex VI).

B. Financial Management

53. The financial management arrangements will be undertaken by the Fiduciary Operating Team (FOT) in the Presidency of the Council of Ministers (PCM). A fiduciary assessment of the FOT was undertaken and concluded that with the implementation of agreed-upon actions, the proposed financial management arrangements would satisfy the Bank's minimum requirements under OP/BP 10.00. The overall financial management risk for this Project is assessed as "Moderate". Annex III provides additional information on the financial management assessment, the recommended measures to be maintained and financial management (FM) arrangements.

54. The FOT is currently managing the ongoing Second Emergency Social Protection Project (ESPISP II) with satisfactory FM performance. The FOT team includes a Financial Officer (FO) who will be responsible among other tasks for managing the Project Designated Account (DA), honor the entities requests for issuing payments, consolidating the project accounts and issuing periodical financial reports to reflect the overall grant financial position. The expenditure cycle will be detailed in the project Operations Manual, which will be ready within one month after project effectiveness.

55. The FOT will be responsible for preparing quarterly un-audited Interim Financial Reports (IFRs) detailing the grant: (i) sources and uses of funds; (ii) contract expenditures; and (iii) uses of funds by grant activity, component and category and consolidated list of assets purchased through the project. The IFRs will be submitted to the Bank no later than 45 days after the end of the quarter to which they relate.

56. The project will utilize the current Accounting Information Software (AIS) used by the FOT. The accounting software is called "Budgets" and is fully operational and will be able to accommodate the Bank requirements in terms of financial reporting. The AIS will be used to record daily transactions and produce the periodical financial reports. The annual Project Financial Statements (PFS) will be audited by an independent private external auditor acceptable to the World Bank, to be engaged within six months after project effectiveness. The audit services Terms of Reference (TORs) will be developed by the project and cleared by the World Bank. The external audit report and project Audited Financial Statements will be submitted to the World Bank no later than six months after the end of each fiscal year and will be made public as per the World Bank disclosure policy. A management letter will also be expected to provide the external auditor's assessment of the project internal controls. The project audited PFS and

²⁵ The lower poverty line adjusted to inflation is US\$3.84/day (US\$115/month) in 2012 prices. The e-card food voucher dollar value amounts to close to 30% of the monthly lower poverty line.

management letter will be due for submission by no later than six months after the end of each fiscal year.

57. The project flow of funds will be channeled through the Ministry of Finance (MOF) - Grants and Donations account to the Designated Account (DA) opened under the Treasury Account at BDL by the Presidency of Council of Ministers (PCM). An internal auditor will provide an independent and objective oversight of project implementation and fiduciary management. The internal auditor will report to the Secretary General of the PCM. The internal audit TORs will be prepared by the project and cleared by the World Bank. An internal auditor is expected to be on board within six months of project effectiveness.

58. To ensure that funds are readily available for project implementation, PCM, through MOF, will open a Designated Account (DA) under the Treasury Account in US Dollars at the Central Bank of Lebanon (CBL). The DA will be maintained and managed by the FOT. Deposits into, and payments from the DA will be made in accordance with the provisions stated in the grant agreement and as outlined in the World Bank “Disbursements Guidelines for Projects”. DA replenishments will be on the basis of Withdrawal Applications. Transfers will be channeled through the Grants and Donations MOF Treasury Account to the Designated Account opened under the Treasury Account at CBL. Other disbursement methods will be available as per the project Disbursement Letter.

C. Procurement

59. A procurement capacity assessment of the PCM was conducted to identify risks and mitigation measures. The PCM is currently managing satisfactorily the fiduciary aspects of the ESPISP II project. Therefore, only an update of the assessment was needed to confirm the capacity.

60. Per design, the project shall use the consulting services of WFP, which shall be selected as per Consultant Guidelines provisions under article 3.15. The GOL shall use the Bank’s standard “form of Agreement between a Borrower and a UN agency for the provision of technical assistance” agreed by the Bank. The contract shall reflect the fact that WFP is signatory to the WB-UN Fiduciary Principles Accord (FPA, February 19, 2009) and to the WB-UN FM Framework Agreement (April 18, 2006) and thus is not subject to the World Bank's normal financial management and audit requirements. Due diligence was conducted at appraisal of the project to confirm that WFP selections and procedures, that will be adopted integrally under the project, are satisfactory. WFP is currently implementing the e-card food voucher program for more than 670,000 Syrian refugees. Associated risks to the program are contained and do not jeopardize implementation. Consequently, the same scheme used under the WFP program shall be adopted. In this case, the GOL will directly deposit at the BLF the cash from the project that shall be transferred into the e-card program.

61. The WFP procurement procedures used to select the commercial bank, BLF (providing e-cards), Civil Society Organizations (partners), and the shops (providing food on the basis of cash/e-cards), were reviewed and found acceptable and thus identified entities by WFP shall be used in the project. The project capacity assessment identified risks related to (i) delays in decision making affecting timelines of procurement; and (ii) e-card monitoring challenges; to

which the following mitigation measures are proposed: (i) include in the ToRs of the project's audit a review on the time taken to provide procurement decisions and the time needed to make justifications when those decision are over-ridden; (ii) agree on appropriate publication of procurement decisions; and, (iii) maintain monthly verification of cards compliance.

62. The following project procurement arrangements will be envisaged (details in Annex III):

- (a) Project guidelines: World Bank procurement guidelines are applied for the project.²⁶
- (b) Procurement methods for goods and non-consulting service: The project is expected to use: (i) international competitive bidding (ICB), (ii) national competitive bidding (NCB) for which shall be used either ICB -or a translated version- or develop Standard Bidding Documents acceptable to the Bank as mentioned in clauses 3.3 and 3.4 of the procurement guidelines, (iii) Shopping, (iv) Framework agreements and (v) Direct contract.
- (c) Selection of consultants: the project is expected to conduct (i) Quality-and-Cost-Based-Selection (QCBS), (ii) selection under a Fixed Budget (FBS), (iii) Least-Cost-Selection (LCS), (iv) selection based on Consultants' Qualifications (CQS), selection of UN agencies,²⁷ (v) Use of Non-Governmental-Organizations, (vi) Single Source Selection (SSS) and (vii) Selection of Individual Consultants.²⁸
- (d) Procurement plans: An initial procurement plan for the life of the project has been developed by the GOL. It defines the prior review and procurement methods thresholds. It will be updated and reviewed by the Bank at least twice a year or as seen necessary. The initial procurement plan for the whole project is ratified at negotiations of the loan and will be attached to the legal agreement.
- (e) Prior Review threshold: Based on the satisfactory assessment, the project shall be subject to low risk prior review threshold, making the project mostly subject to post review.
- (f) Frequency of supervision mission and post procurement review is foreseen respectively twice and once yearly. In post procurement review, a sample of 10 percent of contracts eligible for post review shall be covered.

D. Social (including Safeguards)

63. The project will result in great positive social impact on the beneficiary population as it directly addresses impacts of the Syrian conflict on the Lebanese including those related to the increased impoverishment of the population. Positive social impacts will arise through the creation of a social safety net in the form of education, health, and food assistance. In this

²⁶ Refer to Annex III for a complete list of these guidelines

²⁷ Agencies of the United Nations (UN) may be single-sourced by Borrowers/Recipients when they are uniquely or exceptionally qualified to provide technical assistance and advice in their area of expertise. The Borrower/Recipient shall use the Bank's standard form of Agreement between a Borrower and a UN agency (consultants' guidelines clause 3.15).

²⁸ In view that the first project ESPISP II design was found satisfactory, it is anticipated that the project may retain consultants already identified.

respect, the project is expected to reduce social tensions between Lebanese and refugee communities.

64. The project is also expected to have a positive gender impact, as more than half of current beneficiaries are females. In addition, the program is monitoring whether single member households are disadvantaged by the PMT formula and where needed is compensating for any potential bias as this group tends to be primarily female headed-households and the elderly. In addition, the NPTP, with assistance from the WFP, will monitor any gender aspects in the food assistance program. It is noteworthy that as of today, the WFP has not detected any significant gender biases in its program.

65. With respect to social safeguard requirements of the World Bank, the project's components, composed of administration of the NPTP, provision of Social Assistance, and Fiduciary Operations will not result in permanent or temporary land acquisition, negative impacts on assets/livelihoods, nor restriction of access to natural resources. Thus the Bank's Operational Policy on Involuntary Land Acquisition and Resettlement do not apply to this project.

E. Environment (including Safeguards)

66. The project is classified as Category C according to World Bank Operation Policy on Environmental Assessment (OP 4.01). The design, nature and scope of the project does not result in environmental safeguards issues and therefore safeguards policies are not triggered. Specifically, the project will finance technical assistance to administer the NPTP, as well as e-cards that will finance food assistance for extreme poor households.

67. The emphasis of the project is on improving MOSA's capacity to assist vulnerable groups through a bottom-up approach that should ensure that all voices are heard and special attention is given to the groups most at risk of being marginalized, namely the extreme poor. In particular, MOSA will be supported in developing a transparent process of outreach, screening, and monitoring and evaluation. In addition, a grievance and redress mechanism will be enhanced, and MOSA staff will be trained to use it.

Annex I: Results Framework and Monitoring

LEBANON

Emergency National Poverty Targeting Program Project (P149242)

Results Framework

Project Development Objectives									
The objective of the Project is to expand the coverage and enhance the social assistance package of the National Poverty Targeting Program to Lebanese affected by the Syrian crisis and all Lebanese households under the Extreme Poverty Line.									
Project Development Objective Indicators									
Indicator Name	Core	Unit of Measure	Baseline 2013	Cumulative Target Values			Frequency	Data Source/ Methodology	Responsibility for Data Collection
				2014-15 (Year 1)	2015-16 (Year 2)	2016-17 (Year 3)			
Direct project beneficiaries (number)	<input checked="" type="checkbox"/>	Number	195,000	243,750	292,500	350,000	Quarterly	- NPTP MIS	Ministry of Social Affairs – NPTP team PCM
Direct project beneficiaries (number), of which women (%)	<input checked="" type="checkbox"/>	%	52	52	52	52	Quarterly	- NPTP MIS	Ministry of Social Affairs – NPTP team PCM
Beneficiaries of safety net programs, of which are: - E-card food vouchers	<input checked="" type="checkbox"/>	Number of individuals	0	5,222	5,222		Quarterly	- NPTP Database	Ministry of Social Affairs – NPTP team
NPTP beneficiaries from extremely poor households as a share of total NPTP beneficiaries	<input type="checkbox"/>	%	57	57	57	57	Quarterly	- NPTP MIS	Ministry of Social Affairs and NPTP MIS team PCM

Intermediate Results Indicators									
				Cumulative Target Values			Frequency	Data Source/Methodology	Responsibility for Data Collection
Indicator Name	Core	Unit of Measure	Baseline 2013	2014-15 (Year 1)	2015-16 (Year 2)	2016-17 (Year 3)			
Number of NPTP Applicants	<input type="checkbox"/>	Number	480,000	550,000	700,000	800,000	Quarterly	- NPTP database	NPTP Program
Time lapse between application and eligibility notification	<input type="checkbox"/>	Months	3	1	1	1	Quarterly	- NPTP database	NPTP Program
Household awareness of NPTP	<input type="checkbox"/>	Percentage	40	60	80	90	Two time during the life of the program	- Opinion Poll surveys (Y2, Y3)	NPTP Program
Proportion of assisted people informed about the e-card food program	<input type="checkbox"/>	Percentage	0		100		Once after the first year of the program	- NPTP database	NPTP Program

Project Development Objective Indicators

Indicator Name :	Description (indicator definition etc.)
Direct project beneficiaries of safety net programs (individuals), of which women (%)	Direct beneficiaries of safety net programs are the number of NPTP card holders.
Beneficiaries of safety net programs (number), of which are e-card food vouchers	The breakdown of beneficiaries of which are e-card food voucher beneficiaries.
NPTP beneficiaries from extremely poor households as a share of total NPTP beneficiaries.	Beneficiaries=NPTP card holders. Extreme poverty=\$3.84/day per person in 2012 prices.
Number of NPTP Applicants	Households that have applied to the program.
Time Lapse between application and eligibility notification	Acceptance notification must be accompanied by a benefits card (not cumulative).
Household awareness of NPTP	Percentage of respondents to the opinion poll survey that have head of the NPTP.
Proportion of assisted people informed about the e-card food program (who is included, what people receive, and where they can complain)	Households that have been provided training in SDCs on the e-card food voucher system.

Annex II: Detailed Project Description

LEBANON

Emergency National Poverty Targeting Program Project (P149242)

Project Components

1. The Emergency NPTP project consists of two technical components and a fiduciary operations component. Specifically, the components are: (i) administration of the NPTP, (ii) provision of Social Assistance, and (iii) fiduciary Operations.

Component 1: Administration of the National Poverty Targeting Program (US\$11.19 million total cost, of which US\$3.89 million financed from TFL, and US\$6.9 million from the GOL)²⁹

2. This component's objective is to ensure an effective and efficient administration and implementation of the NPTP through its structures in the MOSA and the PCM, so that it can expand the coverage and enhance the social assistance to extremely poor Lebanese households and those affected by the Syrian crisis. This component will also improve the efficiency of the NPTP. To achieve its objective, this component will finance technical assistance for the following activities:

- (a) Supporting the program management team in the MOSA and the PCM;
- (b) Recertification of applicants in 2015 including refining the program application forms and PMT questionnaire;
- (c) Upgrading the NPTP Management Information System (MIS);
- (d) Refining the grievance and redress mechanism for improved efficiency and transparency;
- (e) Monitoring and evaluation of the program, including evaluating the business processes of the NPTP, and implementation of short quantitative and qualitative surveys (beneficiary assessments, opinion polls on awareness, etc.);
- (f) Carrying out an outreach campaign to enroll new beneficiaries particularly in the poorer and remote areas;
- (g) Providing training to Beneficiaries in the use of Food Vouchers, and providing technical assistance to the NPTP Project Unit in managing, assessing and monitoring the implementation of the e-card Food Voucher program
- (h) Provision and maintenance of the e-cards for the food vouchers;
- (i) Capacity building and training for NPTP staff and social workers in the implementation of the NPTP;
- (j) Provision and maintenance of information technology and other equipment for the NPTP; and
- (k) Provision of Allowances (in the form of transportation and training allowances)³⁰ for the NPTP social workers to enable them to carry out their tasks and enhance their productivity.

²⁹ There is a financing gap of US\$390,107 million for this component.

³⁰ It is important to note that the very large and sudden presence of international humanitarian agencies in the past 2 years in Lebanon has seen many qualified social workers of MOSA/NPTP leaving for higher salaries offered by these organizations. In

Component 2: Provision of Social Assistance (US\$202.2 million total cost, of which US\$3.76 million financed from TFL; US\$3 million from the UNHCR; US\$78 million from the GOL)³¹

3. This component provides a package of social assistance benefits to 350,000 extremely poor Lebanese households³² and those affected by the Syrian crisis for a three year period. The package of assistance consists of: (i) comprehensive health coverage in public and private hospitals through the waiver of 10-15 percent copayments for hospitalization; (ii) comprehensive primary health care coverage at MOPH primary healthcare facilities or at the MOSA Social Development Centers; (iii) coverage of chronic disease prescription medications; (iv) registration fee waivers and free books for students in primary and secondary public schools; and (v) basic food needs through the e-card food voucher program.

4. The GOL will continue to finance the costs of the health, medication, and education benefits, while the project will finance the provision of e-card food vouchers for 10,444 beneficiaries in the first year.³³ The e-card food voucher program, currently being implemented in Lebanon by the WFP for more than 670,000 refugees, aims to fulfill a minimum caloric intake – estimated at approximately US\$30/month/person - via a prepaid electronic voucher (e-card).³⁴ In addition to addressing basic food needs of extremely poor Lebanese households, the introduction of the e-card food component in this phase of the NPTP will help mitigate tensions between the Syrian refugee and Lebanese host communities.

5. The NPTP will use the same system as that deployed by the WFP, with some modifications to align it with the implementation modality of the NPTP. Using the targeting criteria of the NPTP – that is, the poorest as defined by the Proxy-Means Testing methodology – each eligible household is provided an e-card (issued from MasterCard via a local partner commercial bank) with a monthly value of US\$30/person.³⁵ The e-cards can be utilized at some 285 shops around the country that have been contracted by the WFP, with each shop having opened an account with the partner commercial bank and where “points of sale” (POS) machines are installed. The purchase of alcohol and tobacco are not permitted in the program. The WFP signs a contract with the merchant that specifies the requirements, and if a shop does not meet the standards it receives a warning or is not permitted to remain in the program. The WFP is undergoing a review of the shop selection criteria and plans to open up the application process to all interested shops by June 2014 (details on the WFP program can be found below). Under the Emergency NPTP, the WFP will continue to maintain responsibility for shop selection/de-selection and responsibility for shop monitoring (through the commercial bank’s monitoring system; regular visits to the shops; feedback mechanisms through household visits, focus groups

order for the salaries of the social workers hired by the MOSA for the NPTP to remain somewhat competitive, there is need to increase their incentives.

³¹ There remains a financing gap of US\$117.4 million for this component to fund the e-card food voucher benefit.

³² The project aims to increase the number of eligible NPTP beneficiaries from 195,000 beneficiaries in 2013 (baseline) to 244,000 in 2014, 293,000 in 2015, and 350,000 in 2016 respectively.

³³ Reaching the target of 50,000 e-card food voucher beneficiaries in the first year is subject to the availability of funds.

³⁴ Eligible families are registered by UNHCR and based on a vulnerability criteria agreed by WFP and UNHCR.

³⁵ To a maximum household size of 6 members.

and hotlines; investigation into shops if negative feedback is received, etc.) Annex II contains further details of the WFP program and its implementation through the Emergency NPTP.

6. In the first year of the program, the poorest 50,000 NPTP beneficiaries will receive the e-card food voucher benefit, in addition to all other NPTP benefits that they are already receiving.³⁶ The geographic distribution of the current lowest 50,000 NPTP beneficiaries can be found in Annex II. The project will fund 10,444 beneficiaries out of the prospective 50,000 e-card food voucher beneficiaries. In the second and third year, the program aims to provide e-card food vouchers to the poorest 100,000 and 195,000 NPTP beneficiaries respectively, subject to availability of funds.

7. Introduction of an e-card technology into the NPTP could serve as a means to monetizing or adding other benefits down the road, if the experience with the e-card proves effective and efficient. This could easily be implemented by adding non-food items (NFIs) to be purchased with the e-card.

Electronic Card Food Voucher Component

8. WFP began operations in Lebanon on 1 June 2012 following an escalation in the conflict in Syria and subsequent surge of refugees into Lebanon. Following the official request of the Government of Lebanon for support in May 2012, WFP began operations one month later delivering food assistance to vulnerable Syrians in the form of both food parcels and food vouchers. Since then the program has expanded as refugee numbers has sharply increased to support over half a million people a month.

9. The most vulnerable Syrian refugee families are provided with a prepaid electronic voucher (e-card) to meet their monthly food needs.³⁷ Each month WFP delivers vouchers worth US\$30 to every Syrian refugee in Lebanon who qualifies for food assistance. Beneficiaries are not obliged to spend the full amount at once, which means they can use it whenever they need, as long as they spend the amount within the month. These vouchers can be exchanged for food items of their choice in any of approximately 285 WFP contracted shops throughout Lebanon. Vouchers were adopted as the primary modality of assistance in Lebanon as the local market is more than capable of providing sufficient food for the host and refugee populations alike. Thus there is no need to import large quantities of food. Instead, the vouchers, and now the e-cards, provide vulnerable Syrian refugees with the means to access the Lebanese market themselves.

10. In early 2013, WFP began working to shift modality from the paper voucher system to a new, electronic, pre-paid voucher system. Following several months of planning and research, WFP signed a partnership agreement in September 2013 with MasterCard and a local bank. The first 1,908 credit card-style e-cards (for 10,306 beneficiaries) were distributed in a successful pilot scheme in South Lebanon. In October 2013, a general roll out followed for the entire caseload in Beirut, Mt Lebanon and the South, some 140,000 beneficiaries.

³⁶ In cases where a new applicant is ranked as one of the poorest 50,000 beneficiaries using the NPTP database, she/he will receive all NPTP benefits including the e-card food voucher.

³⁷ Eligible families are registered by UNHCR and based on a vulnerability criteria agreed by WFP and UNHCR.

11. The WFP has carried out lengthy assessments before deciding to switch from the paper food voucher modality to the pre-paid electronic voucher. WFP finds that the electronic voucher is appropriate in Lebanon because of the favorable financial environment and high assessment ratings in comparison with other MENA countries. The electronic system allows WFP to track transactions, to gather data on the frequency the cards are used, and for which commodities.

12. WFP has signed a partnership agreement in September 2013 with MasterCard, and the local bank, Banque Libano-Française (BLF). BLF has been selected as the service provider to develop and implement the prepaid card system for registered Syrian refugees. The system will enable the beneficiaries to purchase food commodities at shops preselected by WFP. The contracted shops opened accounts with the partner bank and installed Points of Sale (POS) in their businesses. WFP has contracted roughly 285 shops all over Lebanon. Each beneficiary household registered with a unique UNHCR Case Number will receive a Card. The Card will be reloaded on a monthly basis, on the 5th of the month, to cover food needs. The monthly credit to be received will be US\$30 for each family member registered with UNHCR.

13. The project will rely on WFP to provide technical assistance in implementing the prepaid E-card voucher system for the extremely poor Lebanese households, especially those affected by the Syrian crisis. The NPTP will collaborate with WFP to provide all the necessary documentation to distribute the e-card food voucher benefit on a monthly basis.

14. The NPTP will provide a file of eligible beneficiaries (Household Registry Statement) once or twice a month to WFP based on the agreed on criteria between NPTP and WFP. The Household Registry statement includes the NPTP household registration number, the family size, the date of birth of the family head, gender of the household head, and relevant distribution SDC. The NPTP beneficiary file is imported into the WFP database. WFP will provide BLF with the Household Registry Statement; based on the statement, the bank will assign a card number corresponding to the NPTP registration number of each household, and print the cards accordingly. The printed cards are delivered to the WFP office by the bank. The cards are arranged by BLF according to the SDC distribution area and sorted by NPTP registration number.

15. In order to upload the funds to each card, WFP provides the bank with a household Payment List or a table for each household to which a transfer needs to be made, including: (a) the NPTP registration number; (b) the number of the Prepaid Card; (c) the date of birth of the household head; (d) gender of the household head; and (e) the amount of the WFP voucher benefit to be transferred. The household payment list also indicates the WFP-benefit voucher account, currency, the transfer date and the WFP voucher benefit availability end date for that month.

16. The bank uploads the credit to the cards as requested by WFP once the Household Payment List and Letter of Authorization are received, reviewed and approved. WFP partners distribute the cards to the Social Development Centers, where NPTP social workers are responsible for distributing the cards to beneficiaries. Along with each card, the NPTP social workers will distribute an NPTP registration certificate, with all the names and dates of births of each household member.

17. At the time of purchase, the beneficiary will need to present the card together with the matching (and original) NPTP certificate, in addition to a valid Lebanese picture ID. Any member of the household above 18 and registered under the same NPTP certificate can use the card. After verification, the shopkeeper will swipe the card in the dedicated POS machine provided by the bank and type the amount of the transaction.

Component 3: Fiduciary Operations Team (FOT) (US\$0.55 million total cost, financed from TFL)

18. The Fiduciary Operations Team (FOT) will be responsible for implementation of the procurement and financial functions of the project, working closely with the teams in MOSA and the PCM who are implementing the program activities. The FOT will play two key roles in the project: (i) managing the procurement process through the various stages for all contracts (goods, consulting services, and operating costs), as well as updating and implementing the procurement plan; and (ii) handling financial management, including payments for all contracts, financial reporting, and ensuring external audits are undertaken in compliance with requirements. The FOT will be composed of: (i) Procurement Specialist, (ii) Financial Management Specialist, (iii) Procurement Assistant, and (iv) an internal auditor.

Process of NPTP

19. The NPTP is based on a two-stage application process relying on self-identification of households. Any Lebanese person/household is eligible to apply to the NPTP by filling out an application form at one of the 100 SDCs that offer the NPTP services all over Lebanon. All applicants must present a valid form of identification upon filling out the application. The application includes basic family information and applicant signature to allow the social worker to conduct a household visit.

20. Once the information in the application is verified at the local SDC, a social worker is dispatched to the household to conduct the interview using the OMR PMT questionnaire. A PMT method defines a metric (PMT formula) to rank households by their welfare based on a set of easily observable or verifiable indicators (example: health and education, quality of household's dwelling, ownership of durable goods, demographic structure, occupations of adult members, etc.). All questionnaires are sent to the Beirut central MOSA office for scanning. At the central level, the Management Information System (MIS) checks for missing data and duplicate applications.

21. The information of all applicants is then sent to the PCM scoring and ranking of households is conducted based on the PMT formula. Accordingly, households are ranked from the poorest to the least poor. Eligibility is determined by comparing the household's score against a predetermined cut-off score. Currently, the cut-off score for NPTP eligibility is 7651, equivalent to US\$3.84/day (lower poverty line).

22. Applicants are then informed of their eligibility by the relevant SDC where their application was submitted. Upon eligibility, households receive an NPTP card with a designated number, and are briefed on the benefits the program provides.

Payment Process of NPTP to relevant Hospitals and Schools

23. The NPTP social assistance (the basket of benefits) consists of the following: (i) comprehensive health coverage for beneficiaries in public and private hospitals, through the waiver of 10-15 percent copayments for hospitalization; (ii) coverage of chronic disease prescription medications; and (iii) registration fee waivers and free books for students in primary and secondary public schools. The following section describes the payment process of NPTP to the contracted hospitals and schools.

24. Contracted Hospitals send the invoices (dedicated form) of the beneficiary patients to the NPTP main office at MOSA on a monthly basis. NPTP staff review the invoices and validate beneficiary eligibility. After validation, the invoices are sent to the MOSA accounting department where the latter sends the respective invoices to the Central Bank of Lebanon to wire the money to the relevant hospital bank account.

25. Moreover, all NPTP beneficiaries have free access to medication dispensaries located in each Social Development Center (SDC) where major medications for chronic diseases are available. All beneficiaries are registered in the SDC dispensary database.

26. The payment method to the schools with enrolled NPTP beneficiaries is similar to the above. Schools with enrolled beneficiaries fill a dedicated invoice form that includes the registered beneficiary students' names and registration cost. The Ministry of Education and Higher Education is responsible for sending the invoices to the NPTP head office. The NPTP staff review the invoices, conduct the validation process and validate the registration fees. After validation, the invoices are sent to the MOSA accounting department where the latter sends the respective invoices to the Central Bank of Lebanon to wire the money to the relevant school bank account.

Annex III: Implementation Arrangements

LEBANON

Emergency National Poverty Targeting Program Project (P149242)

Institutional and Implementation Arrangements

1. With respect to the institutional setup of the NPTP, the program has been managed by the MOSA and the Presidency of the Council of Ministers (PCM). This was deemed the best option at the time of appraisal of the ESPISP II project, which supported the creation of the NPTP. The present institutional setup will be retained during the implementation of the Emergency NPTP. However, an external unit (FOT) under the PCM will handle the fiduciary aspects of the project.
2. The SDCs will continue supporting the implementation of the NPTP by hosting the social workers who register beneficiaries, administer household questionnaires, do data entry, and overall follow up for the NPTP.
3. With respect to the NPTP implementation and institutional structure, the following explains the overall implementation arrangements of the program:
 - The Council of Ministers makes policy decisions related to the NPTP, allocates annual budget, and defines cut-off scores which determine benefits.
 - The Social-IMC reviews progress of NPTP and makes recommendations to the Council of Ministers.
 - The NPTP Project Unit in the MOSA is responsible for the following: (i) managing the NPTP database in MOSA; (ii) receiving household applications; (iii) interfacing with applicants; (iv) entering data; (v) conducting household visits; (vi) checking for data errors; (vii) transmitting data to the central database of the NPTP CMU; (viii) verifying claims from hospitals, schools, and PHCs and authorizing payments; (ix) managing the outreach campaign; (x) managing the e-card food voucher beneficiaries list, delivery of the e-cards to beneficiaries, and follow up; and (xi) monitoring of the program (specifically inputs and outputs).
 - The NPTP CMU in the PCM is responsible for the following: (i) managing the central database; (ii) validating data and cross-checking with national databases; (iii) processing household data, generating scores and ranks according to the proxy-means testing (PMT) formula, and providing the list of beneficiaries; (iv) maintaining the PMT formula; (v) analyzing national data and reporting findings to the Social Inter-Ministerial Committee (Social-IMC); (vi) monitoring of program results including targeting performance; and (vii) auditing data processing.

- MOSA SDCs are responsible for: (i) receiving household applications and interface with applicant; (ii) data entry into program application; (iii) conducting household visits; (iv) checking possible data errors in application forms against provided official documents; (v) transmitting households' application data to MOSA central unit; and (vi) handling appeals and claims received by households.
- With respect to the implementation arrangements of the e-card food voucher, the following arrangements have been agreed upon: (i) WFP will conduct training for NPTP field work coordinators and social workers, including on assessments, distribution, monitoring and household visits; (ii) NPTP will be responsible for distribution and training of beneficiaries on the use of the e-card, as well as assessing and monitoring of food security indicators; (iii) WFP will provide the *Banque Libano-Française* (BLF) with the necessary information/data based on the NPTP database and operations for the production, activation and loading of e-cards; (iv) WFP will in turn share reports from the bank on transactions and spending patterns; and (v) WFP and its identified partner(s) will continue to support NPTP through joint reporting and monitoring in the field. (For more details on the business processes and implementation, see Annex II).

Financial Management and Disbursements

Financial Management

4. The Bank assessed the adequacy of the project FM arrangements proposed by the implementing entity. The arrangements are considered acceptable if the entity budgeting, accounting, internal controls, funds flow, financial reporting, and auditing arrangements: (a) are capable of correctly and completely recording all transactions and balances relating to the project; (b) facilitate the preparation of regular, timely, and reliable financial statements; (c) safeguard the project's assets; and (d) are subject to auditing arrangements acceptable to the Bank. The project will be financed through the Lebanese Trust Funds for an amount of US\$8.2 million in addition to US\$3 million provided by UNHCR.

Risks and Mitigating measures

5. The FM risk as a component of the fiduciary risk was assessed to be Moderate as the project will adopt the same implementation arrangements of the ongoing Second Emergency Social Protection Project (ESPISP II) by having the Fiduciary Operating Team (FOT) to undertake the fiduciary function. The FM arrangements were satisfactorily carried under ESPISP II. The project will need to ensure that the following FM arrangements are continuously maintained in order to uphold the risk level at Moderate: (i) the current Financial Officer (FO) part of the FOT will undertake the project financial management arrangements; (ii) an Operations Manual (OM) describing and detailing the project implementation, stakeholders responsibilities, procurement and financial management policies and procedures will be prepared and ready no more than one month after project effectiveness; (iii) recruitment of an internal auditor acceptable to the Bank as per TORs cleared by the Bank to ensure compliance with the project Operations Manual and to provide an independent, objective, and systematic assurance of

the project's operations. The internal auditor will be on board within six months of project effectiveness; (v) the project will use the AIS currently utilized by FOT in ESPISP II to record daily transactions and produce the quarterly financial reports; and (vi) engaging an independent private external auditor acceptable to the Bank as per TORs cleared by the Bank to perform the project annual external audit. The external auditor will be on board within six months of project effectiveness.

Implementation Structure

6. The project will be implemented under three components:
 - a. Component 1: NPTP program implemented by MOSA covering technical assistance, social workers, information technology and monitoring and evaluation. The project will also comprise a Central Management Unit (CMU) headed by a director and will include a statistician and an IT specialist. The CMU will be housed at the PCM and will coordinate with MOSA on technical implementation.
 - b. Component 2: Food Vouchers technically handled by WFP. The funds will flow from the DA directly to BLF to finance the e-cards and related services, monitoring and capacity building of NGOs and technical assistance provided by WFP to MOSA.
 - c. WFP has been implementing a similar project targeting the Syrians Refugees in Lebanon. The implementation design has positive feedback from the shops, beneficiaries and NGOs.
 - d. Component 3: FOT management. The FOT housed by the PCM. FOT will include a financial officer, internal auditor, procurement officer and a procurement assistant. FOT will be handling the fiduciary aspects of the project and will be reporting to the secretary general of the PCM.

Project Financial Management Arrangements

7. **Staffing.** The current Financial Officer (FO) at ESPISP II and part of the FOT will be handling the project FM arrangements and ensuring compliance with the project FM procedures as described in the Operations Manual. The FO has the required experience in Bank financed projects and is familiar with the FM procedures and guidelines. The FO will contribute to the preparation of the FM chapter of the OM and to the drafting of the internal and external auditors TORs.

8. **Budgeting.** Grants fund will be channeled through the single treasury account, thus the project flow of funds will go through the transit sub-account of MOF and they will be transferred to the DA of the project. For the purpose of the project, a project annual budget and disbursement plan will be produced and maintained by the project based on the project procurement plan and implementation schedule to ensure timely availability of funds. It will be used as an effective monitoring tool for comparing planned expenditures with actual ones and monitoring the existing variances.

9. **Accounting and Reporting.** The project will utilize the AIS used by the current FOT. The AIS is called “Budgets” and is currently fully operational and able to record daily transactions and produce the Interim Un-audited Financial Reports. The FO has the full knowledge of the AIS. The project’s accounting transactions will be adequately captured and recorded and reliable reports will be generated on time.

10. The project will be required to issue quarterly Interim Un-audited Financial Reports (IFRs) and annual PFSs for submission to the Bank.

11. **Quarterly IFRs.** The Project’s IFRs, prepared in accordance with IPSAS – Cash Basis and generated through the AIS, will be sent to the Bank by no later than 45 days after the end of each quarter. The format and content of IFRs were agreed upon with MOSA during negotiations, and will be included in the Operations Manual. The IFRs will be composed of:

- a. Statement of Cash Receipts and Payments by category for the year then ending and cumulatively from inception date up until the year ending including funds received from third parties (i.e. other sources such GOL);
- b. Accounting policies and explanatory notes including a footnote disclosure on schedules:
 - i. Statement of Designated Account reconciling period-opening and end balances;
 - ii. Statement of project commitments, showing contract amounts committed, paid, and unpaid under each project’s signed contract;
 - iii. Grant listing report indicating all relevant information (such as description of activity, beneficiary name, amount paid, etc.);
 - iv. A comprehensive list of fixed assets including: description, contract reference, date of purchase, amount, location, condition and user.

12. **Project Financial Statements (PFS).** The PFSs, prepared in accordance with IPSAS – Cash Basis, should contain the same information as the quarterly IFRs but cover an annual period. The audited PFS would be submitted to the Bank no later than six months after the end of each fiscal year³⁸ (see External Audit Arrangements below).

13. **Controls and Audits.** External Audit arrangements: The PFS will be audited by an independent private external auditor acceptable to the World Bank. The audit will be comprehensive and will cover all aspects of the project, including compliance with the Operations Manual, review of effectiveness of the internal controls system, and compliance with the Financing Agreement. The audit will be carried out in accordance with International Standards on Auditing. The audit report and PFSs, along with management letter, will be submitted to Bank no later than six months after the end of each fiscal year. In addition, the project management letter will contain the external auditor assessment of the internal controls, accounting system, and compliance with financial covenants in the Loan Agreement. The audit TORs will be finalized and agreed upon with the Bank three months after project effectiveness. The external auditor is expected to be engaged within six months of project effectiveness.

³⁸ Project fiscal year ends December 31.

Moreover, the Bank makes publicly available the borrowers' audited annual financial statements for all investment lending operations.

14. **Internal controls.** The fiduciary aspects of the project will be implemented by the PCM through the FOT, with technical implementation by the MOSA and the NPTP CMU in the PCM. In order to ensure coherent coordination and clear depiction of various activities in addition to a proper control environment, a project Operations Manual will be prepared. The Operations Manual will include a detailed description of all activities, roles and responsibilities, fiduciary arrangements including financial management and procurements rules and procedures, flow of information and funds for the project and each of its components. The Operations Manual will be finalized by the project within one month of effectiveness.

15. **Internal audit.** Modern internal audit does not exist in the public sector in Lebanon. The project funds will go through the Ministry of Finance (MOF) Grants and Donations MOF Treasury Account to the Designated Account opened under the Treasury Account at CBL by the Presidency of Council of Ministers (PCM). An internal auditor will provide an independent and objective oversight of project implementation and fiduciary management. The internal auditor will report to the Secretary General of the Presidency of the Council of Ministers (PCM). The internal audit TORs will be prepared by the project and cleared by the World Bank. An internal auditor, acceptable to the World Bank, is expected to be on board within six months of project effectiveness.

16. **Flow of Funds Arrangements.** The flow of funds procedures will be detailed in the project Operations Manual. The project's disbursements would be managed by the PCM. The funds will be channeled through the Ministry of Finance Grants and Donations Treasury Account to the Designated Account (DA) opened under the Treasury Account at CBL by the PCM. The FO at FOT will be preparing the withdrawal applications (Was) and submitting them to the Bank.

17. With respect to Component 2 (E-card food vouchers) the PCM through the DA managed by the FOT will be transferring funds to BLF which in its turn will transfer the funds to the beneficiaries. WFP will be handling the technical part of this component. WFP is currently implementing a similar project targeting the Syrians refugees in Lebanon through BLF. WFP will manage the e-cards and have oversight of the local shops and on the process of food distribution in addition to providing technical assistance to MOSA.

Disbursements Arrangements

18. To ensure that funds are readily available for project implementation, PCM through MOF will open a Designated Account (DA) in US Dollars under the Treasury Account at the Central Bank of Lebanon. The DA will be managed by FOT. Deposits into, and payments from, the DA will be made in accordance with the provisions stated in the Grant Agreement and as outlined in the World Bank "Disbursements Guidelines for Projects" by means of advances, replenishment and reimbursements. Replenishments of the DA will be against Withdrawal Application. The Ceiling of the Designated Account is set at US\$1.5 million. PCM through FOT will be responsible for submitting monthly replenishment applications with appropriate supporting documentation. Transfers will be channeled through the Grants and Donations MOF Treasury

Account to the Designated Account opened under the Treasury Account at CBL. Other disbursement methods will be available as per the project Disbursement Letter. The following Table 1 specifies the categories of eligible expenditures that will be financed out of the proceeds of the Grant:

Table 1: Categories of Eligible Expenditures

Category	Amount of the Loan Allocated (expressed in US\$)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods, Training, Operating costs, non-consulting services, and consultants' services under the Project.	4,440,000	100%
(2) Food Vouchers under Part II (e) of the Project	3,760,000	100%
TOTAL AMOUNT	8,200,000	100%

19. The proceeds of the Grant will be disbursed in accordance with the traditional disbursement procedures of the Bank and will be used to finance project activities through the disbursement procedures currently used: i.e. Advances, Reimbursement and Special Commitment. Replenishment and Reimbursement Withdrawal Applications will be accompanied by Statements of Expenditure (SOEs) in accordance with the procedures described in the Disbursement Letter and the Bank's "Disbursement Guidelines". Interim Unaudited Financial Reports and Annual Financial Statements will be used as a financial reporting mechanism and not for disbursement purposes. The minimum application size for reimbursements and replenishments will be the equivalent of 20 percent of the Advance ceiling amount.

20. **E-Disbursement.** The World Bank has introduced e-disbursement for all Lebanon supported projects. Under e-disbursement, all transactions will be conducted and associated supporting documents scanned and transmitted on line through the Bank's Client Connection system. E-disbursement will considerably speed up disbursements and facilitate project implementation.

21. **Supporting Documentation.** Supporting documentation should be provided with each application for withdrawal as set out below:

a. For requests for Reimbursement:

- i. Statement of Expenditure.
- ii. Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments against contracts that are subject to the Bank's prior review.
- iii. Samples of Statement of Expenditures, list of records evidencing eligible expenditures are available with the Disbursement Letter.

b. For reporting eligible expenditures paid from the Designated Account:

- i. Statement of Expenditure
- ii. Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments against contracts that are subject to the Bank's prior review; and
- iii. A reconciliation of the Designated Account, in the form attached with a copy of the bank statement.
- iv. Samples of Statement of Expenditures, list of records evidencing eligible expenditures and bank reconciliation statement are available with the Disbursement Letter.

22. The documentation supporting expenditures will be retained by the project and will be readily accessible for review by the external auditors and periodic Bank supervision missions.

23. Retroactive financing of eligible and agreed completed expenditures and rendered services will apply based on the conditions and time-frame disclosed in the Financing Agreement. The project has to actually make payments to the providers of these expenditures during the retroactive financing period to get reimbursed, as per the World Bank Disbursement Guidelines.

24. The Bank will honor eligible expenditures completed, services rendered and goods delivered by the project closing date. A four months' grace period will be granted to allow for the payment of any eligible expenditure incurred (i.e., services, goods or works, received and accepted) before the Grant Closing Date.

25. **Authorized Signatories.** Authorized signatories will be nominated by PCM to sign the Withdrawal Applications (WAs). Names and corresponding specimen signatures will be submitted to the Bank prior to the receipt of the first WA (advance to DA). Each WA will be approved and signed by the authorized signatories.

Governance and Anti-Corruption

26. Fraud and corruption may affect the project resources, and thus impact negatively the project outcomes. The World Bank Financial Management Specialist worked closely with the project's Task Team Leader as well as with the project consultants, developed with the team an integrated understanding of possible vulnerabilities, and agreed on actions to mitigate the risks. The above proposed fiduciary arrangements, including the Operations Manual with a detailed FM chapter, reporting, external audit, in addition to the recruitment of the internal auditor are expected to address the risk of fraud and corruption that are likely to have a material impact on the project outcomes.

Financial Management Action Plan

	Action	Date due by	Responsible
1	Develop and finalize the Operations Manual which will include an FM chapter	No more than 1 month after project effectiveness	PCM MOSA
2	Develop TORs for project external auditor and submit to the Bank	Within 3 months after project effectiveness	PCM through FOT
3	Develop TORs for internal auditor and submit to the Bank	Within 3 months after project effectiveness	PCM through FOT
4	Appoint a project external auditor acceptable to the Bank	Within 6 months from Project effectiveness	PCM
5	Appoint an internal auditor acceptable to the Bank	Within 6 months after project effectiveness	PCM
6	Quarterly IFRs submitted to the Bank	45 days after the end of each quarter	PCM through FOT
7	Annual project audited PFS, audit report, and project management letter	Within 6 months after the end of each fiscal year period	PCM through FOT
8	Periodical and ad hoc internal audit reports	Based on agreement	PCM

World Bank Supervision

27. A supervision mission will be conducted at least twice a year based on the risk assessment of the project. Among the supervision mission objective is to ensure that strong financial management systems are maintained throughout the life of the project. The IFRs will be reviewed on a regular basis by the World Bank team and the results and issues will be followed up during supervision missions. Financial audit reports will be reviewed and issues be identified and followed up by the Project FO. Internal audit reports will be reviewed as well. Additionally, during supervision missions, the Project's financial management and disbursement arrangements (including a review of a sample of SOEs and movements of the DA) will be reviewed to ensure compliance with the Bank's requirements.

Procurement

Procurement Capacity Assessment

28. **Implementing agency.** The Presidency of the Council of Ministers (PCM) abides by the procurement Law No. 14969 dated December 30, 1963. The PCM operates under the ceiling of L.L.100 Million (US\$67,000 equivalent). Above that ceiling, bidding is processed centrally by the central tender board. The PCM is currently managing satisfactorily the fiduciary aspects of the ESPISP II project. Therefore, only an update of the assessment was needed to confirm the

capacity. The grant shall be extended to the Prime Ministry as an implementing agency which will house the FOT. WFP shall be contracted by GOL as a consultant for managing the e-card food sub- component and providing related services in terms of monitoring and building capacity. The same scheme used under the current program of WFP for the Syrian refugees shall be adopted; the government will nevertheless directly deposit at the Banque Libano-Française the cash that shall be transferred into the e-card program (see details of BLF selection here below).

29. **Past experience** of the implementing agency in internationally funded projects: The Prime Ministry has extensive experience in implementing donors' funding (EU, IBRD, AFD, etc.) and is currently managing the fiduciary operations of the ESPISP II project and housing the fiduciary operation team (FOT). The procurement processing and contract management was rated Satisfactory all along implementation. The unit is diligent in record keeping, quality of evaluation, staffing. As per the public procurement law, the agency can use donors' regulations, to implement internationally financed projects. The ESPISP II project comprised selection of consultants (the majority of the activities), with purchase of goods (IT equipment). ESPISP II implementation involving four different ministries and public institutions, suffered though from lack of decision making and multiple ministers' replacement, which reflected in delays in processing procurement and slow disbursement. In the current project, the ESPISP II sub-component NPTP shall be scaled up, by (i) supporting NPTP program (administrative aspect) under the proposed component 1, (ii) appointing the UN agency-WFP (component 1) for technical assistance, and (iii) financing FOT under component 3. In the current project, the government shall continue to provide in-kind support to the registered beneficiary population of the NPTP through waiving the cost of students text books and medical needs, as was done in ESPISP II, while the project shall ensure cash transfer for food following WFP procedures.

30. **Past experience in similar programs.** World Food Programme (WFP) assessment: Per design, the project shall use the consulting services of WFP, which shall be selected as per Consultant Guidelines provisions under article 3.15. The GOL shall use the Bank's standard "form of Agreement between a Borrower and a UN agency for the provision of technical assistance" agreed by the Bank. The contract shall reflect the fact that WFP is signatory to the World Bank-United Nations Fiduciary Principles Accord-WB-UN FPA (February 19, 2009) and to the WB-UN FM Framework Agreement (April 18, 2006) and thus is not subject to the Bank's normal financial management and audit requirements. Due diligence was conducted at appraisal of the project to confirm that WFP selections and procedures, that will be adopted integrally under the project, are satisfactory. WFP projects are financed from British, EU, US, Japanese, Canadian, Kuwait donors. The projects are rather programs and not operations, as per the WB understanding.

- a. WFP began delivering food support to Syrian refugees in June 2012, initially under an Immediate Response Operation, funded by Japan. In July, WFP launched a Regional Emergency Operation covering Iraq, Jordan, Turkey, and Lebanon. This regional operation continues to expand to cover the food needs of the new waves of arrival. The Lebanese operation is now WFP's second largest operation under this regional emergency. For the program, WFP is in close collaboration with UNHCR, where refugees are registered. The monthly disbursement to the 670,000 Syrian beneficiaries

of the current program is of US\$15M/month (US\$30 per beneficiary per month); the program is covering 285 shops which have on average a monthly turn-over of 62,000\$ per shop. WFP current responsibilities in the program and under e-card production are the following: (i) Household registry statement, (ii) Card loading payment list (monthly), (iii) Activation (1 time), (iv) Replacement (stolen, etc.), and (v) Authorization; and (vi) Delivery (managing the partners NGO).

b. The implementation design that is tested under the current project of WFP has received positive feedback. WFP is scaling up the program by inviting new shops to join and strengthening their selection criteria. Associated risks are contained and do not jeopardize implementation. Consequently, the proposed project shall benefit from the scheme already implemented by WFP. The procurement procedures used to select the commercial bank (providing e-cards), CSO (partners), and the shops (providing food on the basis of cash/e-cards), were reviewed and found acceptable and thus the same identified entities shall be used in the new project. The procurement manual of the agency specifies in particular the thresholds for central (HQ-Rome), regional, and local decisions.

i. Selection of the commercial bank (three months duration)

- Request of Expression of Interest sent to 12 banks, resulting in shortlisting 4 banks;
- All except one submitted Request For Proposals (2-envelop system with no public financial opening);
- Three banks passed technically and the Least Cost Selection method was used;
- Banque Libano-Française (BLF) selected (no publication of contract award);
- Contract signed by HQ (any amendment is to be cleared by HQ but contract is managed locally).

ii. Selection of the NGOs (International NGO: DRC, SC, WORLD VISION, etc., and Local NGO to provide food packages for newly arrived not yet registered refugees for the first month):

- Consultation with NGOs (plenary and individual sessions)
- Field level agreement (Narrative and proposal based on Fixed Budget)
- NGO submission of proposals
- Validation with HQ
- Country director signing

iii. Selection of merchants:

- Combined selection done either by WFP or Partners (NGO) based on the region where the merchants are located;
- Request of Expression of Interest sent to merchants (in regions hosting refugees) in line with shop selection criteria (location of the shop, availability of commodities, capacity, size of the shop, equipment,

cleanliness, lighting and ventilation, prices, POS system, quality, willingness to partnership, line of credit);

- Post-qualification;
- Agreement with merchants was signed with the NGO (WFP guarantor); then this was modified to having WFP signing the agreement.

iv. Commercial bank BDL & Merchants (regulation of relationship):

- The bank signs contracts with merchants to cover commercial relationship (General conditions) and WPA project parameters (Special conditions);
- Merchants should be cleared by the central bank (Banque Du Liban);
- The BLF provides regular updates to WFP and advises on fraudulent suspicions, leaving to WFP the authority to act.

v. Field visit outcomes:

- Field visitors are in charge of (i) Distribution e-card, (ii) household surveys (monthly level of effort of 40 person days with an average coverage of 16 households per day), (iii) shop monitoring (once per month minimum).
- Invoices are itemized and attached to the card receipt.

31. Record keeping; Inventory: Both agencies have a satisfactory system.

- a. The PCM/FOT has an extensive experience in record keeping and the accounting system contain an inventory field.
- b. WFP conducts physical count once yearly. In 2008, the software IPSAS/ Wings was implemented for inventory purposes. For food procured items, a separate system (that is in the process to be integrated in Wings) records the commodity transaction. In the current project WFP is implementing, the commercial selected bank tracks the e-cards in order to monitor the transferred moneys. Monthly financial reports are produced.

32. Current Staffing:

- a. At the PCM, two committees process procurement: Supply Committee (head of committee, one engineer, one administrative, one IT) and Acceptance committee (head of committee and 5 members). Housed at PCM, FOT had customized the procurement resources and financial management as per the needs of the ESPISP II implementation. Qualified staff is on board with extensive experience in implementing project, financed by international donors.
- b. WFP support unit to the Syrian crisis is based in Cairo regional office, while the head of mission is in Amman. In Beirut, the financial department is staffed with a head of department, a procurement assistant and two financial assistants.

33. Procurement methods thresholds:

- a. The PCM abides by the procurement Law No. 14969 dated December 30, 1963, and operates under the ceiling of L.L.100 Million (US\$67,000 equivalent). The public procurement regulations allow the implementing agencies to follow the donors' guidelines, when needed. FOT implemented ESPISP II under these conditions by following the Bank guidelines.
- b. WFP procurement manual details the methods and thresholds. The manual covers the procurement policy and management by determining the authority thresholds (HQ, regional, country offices), Shopping procedures, and Bidding, request for proposals. The manual defines the "lowest price, and most technical acceptable" (evaluated lowest price), 'best value' (weighted), "best and final offer" (resulting after negotiations with all consultants), and "Direct contracting". It is to note that the agency uses the Long Term Agreement method (comparable to framework agreement), but in the traditional understanding (competition on unit prices and the least cost is awarded). International procurement was exercised, but recently, the institution is encouraging local shopping for socio-economic considerations. Advertisement opportunities are published in local newspapers and on WFP website. Contract publishing is not mandatory. Complaints are handled through UNHCR beneficiaries' hotline.

34. Audit:

- a. Currently the PCM does not have an internal audit but relies on the Court of Accounts for ex-ante and ex-post reviews. FOT shall appoint an External Independent Auditor as done currently under ESPISP II.
- b. WFP has an internal audit unit at HQ (Rome) and compliance unit in Amman. The institution relies also on self-assessment checklist. Based on the recommendation of the internal audit of this year, the program expanded and diversified its partners. For the External Auditor, he is appointed by and reports to the Board. The reports of the External Auditor are available to the public on the WFP website. WFP's current external auditor, appointed for the period July 1, 2010 to June 30, 2016, is the Comptroller and Auditor General of India.

35. Applied taxes:

- a. The project implemented by the prime ministry observes the following taxation: (i) Stamp Duties of (a) three per thousand (3/1000) of the contract price for contract registration at ministry of finance (MOF), and (b) three per thousand (3/1000) on each payment; (ii) Value Added Taxes (VAT) of 10 percent applied on consultants and contractors who are registered and eligible for VAT; and (iii) Income Taxes that are a flat rate of 7.5 percent for non-registered consultants and variable for registered consultants (Taxpayer Identification Number), depending on their job classification at MoF. Exemption of consultants from Income Taxes may be observed if they are registered in countries that have entered with Lebanon into agreements prohibiting

double taxation. Contracts financed by international donor proceeds are exempted from VAT (Law No. 379 dated December 14, 2001).

- b. WFP is exempted from taxes as well as fixed term staff. For short term staff, the prohibition of double taxation is enforced.

Overall Procurement Risk Assessment

36. The procurement risk rating is **Moderate**. To reduce the identified risk related to (i) delays in decision making affecting timelines of procurement; and, (ii) risks related to e-card monitoring challenges. The following mitigation measures are proposed: (i) include in the ToRs of the project's audit a review on the time taken to provide procurement decisions and the time needed to make justifications when those decision are over-ridden; (ii) agree on appropriate publication of procurement decisions; and, (iii) maintain monthly verification of cards compliance.

Proposed Procurement Arrangements

37. **Project guidelines.** The following shall be applied to the project: (i) "Guidelines On Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants" dated October 15, 2006 revised in January 2011 , (ii) World Bank "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 and (iii) World Bank "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011.

38. Methods of Procurement and prior review threshold:

- a. Procurement methods for goods and non-consulting service: For the procurement of Goods, Works and Non-Consulting Services, the following methods shall be used: (i) international competitive bidding (ICB); (ii) national competitive bidding (NCB) for which shall be used either ICB -or a translated version- or develop Standard Bidding Documents acceptable to the Bank as mentioned in clauses 3.3 and 3.4 of the procurement guidelines; (iii) Shopping; (iv) Framework agreements; and, (v) Direct contract.
- b. Selection of Consultants: For the selection of consultants, the following methods shall be used: (i) Quality-and-Cost-Based-Selection (QCBS), (ii) Selection under a Fixed Budget (FBS); (iii) Least-Cost-Selection (LCS), (iv) Selection based on Consultants' Qualifications (CQS); Selection of UN agencies; (v) Use of Non-Governmental-Organizations; (vi) Single Source Selection (SSS); and, (vii) Selection of Individual Consultants.

c. The use of Particular methods are justified by the following:

- i. Selection of UN agencies: Agencies of the United Nations (UN) may be single-sourced by Borrowers/Recipients when they are uniquely or exceptionally qualified to provide technical assistance and advice in their area of expertise. The Bank may agree that UN agencies follow their own procedures for: (a) the selection of their sub-consultants and individual experts, and the supply of the minimum necessary goods to perform the contract; (b) small assignments; and (c) under certain circumstances in response to natural disasters and for emergency situations declared by the Borrower and recognized by the Bank. The Borrower/Recipient shall use the **Bank's standard form of Agreement between a Borrower and a UN agency** for the provision of technical assistance agreed by the Bank. The Borrower shall submit to the Bank for its no objection a complete justification and the draft form of Agreement with the UN agency before signing it for approval (consultants guidelines clause 3.15).
- ii. Single sourcing: Individual consultants already on board in ESPISP II, having satisfactory performance, shall be retained, in addition to field socio-workers that were appointed as consultants and financed by the government in the first project, but that will be compensated under the new project for transportation and Per Diem expenses.

d. Based on the satisfactory assessment, the project shall be subject to **low risk prior review threshold**, making the project mostly subject to post review.

39. **Proposed project Staff.** FOT had customized the procurement resources and financial management as per the needs of the ESPISP II implementation. Qualified staff is on board with extensive experience in implementing project, financed by international donors.

40. **Project Operation Manual (POM).** A program manual shall be developed to respond to this emergency operation.

41. **Procurement plan.** An initial procurement plan was developed by the government. It defines the prior review and procurement methods thresholds. It will be updated and reviewed by the Bank at least twice a year or as seen necessary. The initial procurement plan for the whole project is ratified at negotiations of the loan and will be attached to the legal agreement. The following Table 2 and Table 3 are a summary:

Table 2: Consultancy for major Assignments with Selection Methods and Time Schedule

Proc. System Ref. #	SN. #	Comp	Sub-Comp	Location/ Description of Assignment	Estimated Cost (US\$)	Selection Method	Bank Rev.	TOR Start Date	Adv. EOI end Date	Technical Evaluation Report Date	Contract Start Date	Execution in months	Completion Date (original)
FC001		C1		Program Process evaluation	110,000	QCBS	PR	3-Jul-14	14-Aug-14	6-Nov-14	3-Jan-15	15.7	27-Apr-16
FC001		C1		Grievance Mechanism	55,000	QCBS	PR	3-Jul-14	14-Aug-14	6-Nov-14	3-Jan-15	15.7	27-Apr-16
FC002		C1		WFP Costs	194,000	SSS	PR	3-May-14	17-May-14	24-May-14	3-Jul-14	15.5	20-Oct-15
FC003		C3		Accounting Information System	5,350	SSS	PO	7-Jul-14	4-Aug-14	24-Sep-14	3-Nov-14	15.5	20-Feb-16
FC004		C3		External Auditor	30,630	LCS	PR	31-Aug-14	12-Oct-14	4-Jan-15	3-Mar-15	15.7	25-Jun-16

Table 3: Procurement of major Goods with Procurement Methods and Time Schedule

Proc. System Ref. #	Comp	Location/ Description of Assignment	Estimated Cost (US\$)	Selection Method	Bank Rev.	Specs prep. Start Date	Comparison of Quotations	Contract Start Date	Execution in months	Completion Date (original)
PG001	C1	OMR Questionnaire forms +	26,400.00	SH	PR	8-Jul-14	12-Aug-14	15-Sep-14	1	15-Oct-14
PG002	C1	OMR Nylon Protector	39,600.00	SH	PO	22-Jul-14	26-Aug-14	15-Sep-14	1	15-Oct-14
PG003	C1	ID cards + Ink - NPTP - Lot 1	14,660.00	SH	PO	22-Jul-14	26-Aug-14	15-Sep-14	1	15-Oct-14
PG004	C1	ID cards + Ink - NPTP - Lot 2	14,660.00	SH	PO	22-Jul-15	26-Aug-15	15-Sep-15	1	15-Oct-15
PG005	C1	ID cards + Ink - NPTP - Lot 3	14,660.00	SH	PO	22-Jul-16	26-Aug-16	15-Sep-16	1	15-Oct-16
PG006	C1	Maintenance of equipment and	18,330.00	SH	PO	21-Sep-14	26-Oct-14	15-Nov-14	12	10-Nov-15
PG007	C1	Maintenance of equipment and	18,330.00	SH	PO	21-Sep-15	26-Oct-15	15-Nov-15	3.9	14-Mar-16
PG008	C1	Maintenance of equipment and	18,330.00	SH	PO	20-Jan-16	24-Feb-16	15-Mar-16	12	10-Mar-17
PG009	C1	IT equipment for NPTP and CMU	33,000.00	SH	PO	21-Nov-14	26-Dec-14	15-Jan-15	2	16-Mar-15
PG010	C1	IT equipment for NPTP and CMU	33,000.00	SH	PO	21-Nov-14	26-Dec-14	15-Jan-15	2	16-Mar-15
PG011	C1	Alluminium Separators	11,000.00	SH	PO	21-Nov-14	26-Dec-14	15-Jan-15	2	16-Mar-15
PG012	C1	Furniture for NPTP MOSA Team	15,840.00	SH	PO	21-Aug-14	25-Sep-14	15-Oct-14	2	14-Dec-14
PG013	C1	Air Conditions for NPTP offices	1,100.00	SH	PO	21-Aug-14	25-Sep-14	15-Oct-14	1	14-Nov-14
PG014	C1	Generators for 10 SDCs	33,000.00	SH	PO	21-Aug-14	25-Sep-14	15-Oct-14	7.9	12-Jun-15
PG015	C1	Communication and outreach	55,000.00	SH	PO	22-Jul-14	26-Aug-14	15-Sep-14	1	15-Oct-14
PG016	C1	ID cards - Food Voucher	24,330.00	SH	PO	22-Jul-14	26-Aug-14	15-Sep-14	1	15-Oct-14
PG017	C1	Brochure - Pamphlet Costs-	390.00	SH	PO	5-Jul-14	9-Aug-14	29-Aug-14	1	28-Sep-14
PG018	C1	Car Rental	58,500.00	SH	PO	21-Aug-14	25-Sep-14	15-Oct-14	31	1-Jun-17
PG019	C3	IT equipment for FOT	14,630.00	SH	PO	22-Dec-14	26-Jan-15	15-Feb-15	2	16-Apr-15

42. The frequency of supervision mission and post procurement review is foreseen respectively twice and once yearly. In post procurement review, a sample of 10 percent of contracts eligible for post review shall be covered

Annex IV: Operational Risk Assessment Framework (ORAF)

Lebanon: Emergency National Poverty Targeting Program Project (P149242)

Stage: Appraisal

Risks						
1. Project Stakeholder Risks						
1.1 Stakeholder Risk	Rating	Substantial				
<p>Risk Description:</p> <p>1. The status of the Government may hinder its ability to make timely approvals related to the Project.</p>	<p>Risk Management:</p> <p>Grant-financed projects only require Council of Ministers approval, which is expected to be expedited, given the Cabinet's endorsement and ownership of the Roadmap. The Bank will continue to engage will all stakeholders to ensure a broad and sustained ownership of the Project approach and benefits.</p>					
	Resp: Client	Status: In Progress	Stage: Implementation	Recurrent: <input checked="" type="checkbox"/>	Due Date:	Frequency: Continuous
<p>2. Beneficiary confidence in the government's ability to deliver social services is low and could impact the implementation and achievement of the NPTP objectives.</p>	<p>Risk Management:</p> <p>The Government has already started distributing NPTP benefit cards and educational benefits to some beneficiary households, which will be advertised as part of an information campaign with examples of real beneficiaries to help boost the Government's credibility and commitment to the program.</p>					
	Resp: Both	Status: In Progress	Stage: Implementation	Recurrent: <input checked="" type="checkbox"/>	Due Date:	Frequency: Continuous

2. Implementing Agency (IA) Risks (including Fiduciary Risks)						
2.1 Capacity	Rating	Substantial				
Risk Description: The NPTP program is currently managed by two high-level government entities (MOSA and the prime minister office), which could lead to implementation slow-down or grid-lock in the event of diverging visions from the program.	Risk Management: Each party's roles and responsibilities including TORs for all staffing positions will be drawn up/updated and reflected in the project Operations Manual.					
	Resp: Client	Status: In Progress	Stage: Implementation	Recurrent: <input checked="" type="checkbox"/>	Due Date:	Frequency: Continuous
2.2 Governance	Rating	Substantial				
Risk Description: 1. Lack of an external audit function at MOSA is subject to the Court of Accounts ex post review, which implies lack of quality and timely reports. 2. No internal audit function exists within MOSA.	Risk Management: The project will be audited by an independent acceptable external auditor.					
	Resp: Client	Status: Not Yet Due	Stage: Implementation	Recurrent:	Due Date: 6-Dec-2014	Frequency:
	Risk Management: The FOT team will handle all fiduciary functions and include an internal auditor as part of its core staff.					
	Resp: Client	Status: Not Yet Due	Stage: Implementation	Recurrent:	Due Date: 6-Dec-2014	Frequency:
3. Project Risks						
3.1 Design	Rating	Substantial				
Risk Description: 1. Availability and readiness of human resources, particularly social workers for the NPTP, and at the SDC levels is critical to the success of the program.	Risk Management: The Bank will continue to stress the importance of high quality social workers/inspectors as they form the backbone of both programs and will have an important impact on their successes through continuous training. Moreover, the project will partially mitigate this risk by providing additional incentives to the social workers in the form of transportation cost compensation and training.					
	Resp: Bank	Status: In Progress	Stage: Both	Recurrent: <input checked="" type="checkbox"/>	Due Date:	Frequency: Continuous

3.2 Social and Environmental	Rating	Moderate				
Risk Description: Risk Description: Increased social tension regarding the distribution of the e-card food voucher cards to the poorest beneficiaries.	Risk Management: The MOSA NPTP team will provide information brochures and clear explanations of the targeting mechanism used in the e-card food voucher system and its credibility.					
	Resp: Both	Status: In Progress	Stage: Implementation	Recurrent: <input checked="" type="checkbox"/>	Due Date:	Frequency: Quarterly
3.3 Program and Donor	Rating	Substantial				
Risk Description: UNHCR is currently providing financing to part of the project; however there is risk that other donors do not come forth to finance the 2nd and 3rd years of the e-card food vouchers.	Risk Management: The project document explicitly specifies the allocation of UNHCR funds.					
	Resp: Both	Status: Not Yet Due	Stage: Implementation	Recurrent:	Due Date: 6-July-2015	Frequency: Once
3.4 Delivery Monitoring and Sustainability	Rating	High				
Risk Description: 1. Weak capacity of the implementing agencies in monitoring and evaluation. 2. Sustainability of the e-card food voucher component is a major risk in this project. Major funding requirements (USD 30 per beneficiary per month) need to be met in order to keep delivering this benefit for two additional years.	Risk Management: Extensive capacity building on M&E, at the central level, will be provided under the project.					
	Resp: Bank	Status: Not Yet Due	Stage: Implementation	Recurrent: <input checked="" type="checkbox"/>	Due Date:	Frequency: Yearly
	Risk Management: The Bank and the MOSA NPTP team will continue the dialogue with donors in order to secure the funding throughout the lifetime of the project for the e-card food voucher component. Moreover, the e-card food voucher card will be identified as temporary to all beneficiaries.					
	Resp: Both	Status: Not Yet Due	Stage: Implementation	Recurrent: <input checked="" type="checkbox"/>	Due Date:	Frequency: Yearly
4. Overall Risk: High						

Annex V: Implementation Support Plan

LEBANON Emergency National Poverty Targeting Program Project

Strategy and Approach for Implementation Support

1. To facilitate collaboration, the Bank's Implementation Support Plan will focus on: (i) fostering continued communication and exchanges among government entities as well as the Government and the Bank team; (ii) providing support to the Government to achieve the project's objectives and mitigate risks, and identifying bottlenecks and helping to find solutions; and (iii) overseeing due diligence in the areas of procurement, financial management and safeguards.

Implementation Support Plan

2. The implementation support plan consists of the following:
- **The Bank's core team, based in the Lebanon Country Office.** The Task Team Leader and fiduciary team are based in Beirut and are therefore expected to maintain close communication, cooperation and coordination with the client as well as with different actors involved in the project. Such a decentralized implementation support model will ensure timely, efficient and effective inputs to the client and fulfill project needs. A strong partnership between the country-based Bank team, the different government departments and other development partners has already been established due to previous operations, which will help with the implementation of the proposed project.
 - **Missions and dialogues.** In addition to the frequent follow up and communication with the client that this decentralized implementation support model enables, official project supervision missions will be carried out twice a year with all relevant task team members' participation. As part of the ongoing interactions with MOSA and the periodic supervision missions, the Bank will: (i) ensure coherence between the implementation plan and actual project activities; (ii) assess overall achievement of results set for a given year and adjust project interventions for the next year based on success/failures of the previous year; (iii) actively participate in budgetary and action plan discussions for the next year; (iv) ensure compliance with fiduciary agreements; (v) reassess project risks and mitigation measures; and, (iv) determine if any adjustments are needed in the project design to ensure that the development objectives are met.
 - **Procurement.** The Bank will support project implementation by: (i) reviewing procurement documents and providing clearances/comments (prior and post review); (ii) ensuring consistency of procurement activities with agreed procurement plan as necessary; (iii) maintaining close collaboration between the fiduciary agency and the

Bank’s country-based procurement staff; and (iv) providing ad-hoc training to project procurement staff as needed.

- **Financial Management.** The financial management of the project will be supervised by the Bank in conjunction with its overall project supervision to be conducted at least twice a year. The objective of the above implementation support plan is to ensure that the project maintains a satisfactory financial management system throughout the project’s life.
- **Anti-Corruption.** Fraud and corruption may affect the project resources, thus impacting negatively on the project outcomes. Regular supervision missions by the Bank’s fiduciary team as well as their presence in the field will help leverage the risk of corrupt practices. The proposed fiduciary arrangements, including the Operations Manual with detailed fiduciary chapters, are expected to address the risk of fraud and corruption.
- **Monitoring and Evaluation.** Given the decentralized nature of the collection of applications under Component 1, M&E is a challenge. A web-enabled MIS has been developed for the project during phase I of NPTP. A local M&E expert will be trained, and assisted by database developers and IT specialists, to ensure that data is entered in the system and monitor its utilization.

3. Table 1 below summarizes the main focus of the implementation support.

Table 1: Implementation Support Plan

Time	Focus	Skills Needed
Year 1	Monitoring implementation of NPTP (application received, distribution of benefits, etc.)	Economist/Poverty Economist TTL Operations Officer
	Monitoring and Evaluation system	M&E specialist
	Financial management	FM specialist
	Monitoring implementation progress	TTL Operations Officer
Years 2-3	FM, disbursement and report	FM specialist
	Procurement review	Procurement specialist
	Technical inputs	Economist, TTL, Social Development, Operations Officer
	Social monitoring	Social specialist
	Monitoring and Evaluation	TTL, M&E specialist
	Project implementation progress	TTL, Operations Officer

Annex VI: Economic and Financial Analysis

Rationale for Public Involvement

1. The primary objective of public involvement in social safety nets is to provide poor and vulnerable households with effective and reliable protection against destitution, to help them navigate idiosyncratic and systemic shocks, and to promote their inclusion in the society. Prior to the launch of NPTP, the Government of Lebanon played only a minor role in this sphere apart from financing untargeted price subsidies, and financing non-state organizations, such as NGOs and CSOs, that provided a wide spectrum of programs to different target groups in the country. While these charitable and religious organizations (who are 90 percent confessional-based) assist many poor and vulnerable people, the rationale to increase public involvement in SSN provision is two-fold: (1) to ensure horizontal equity, so that two persons with the same standard of living have access to the same basket of SSN benefits, irrespective of their geographical location or political/religious affiliation; and (2) to obtain efficiency gains through consolidation of SSN provision and targeting resources to the neediest members of society.

2. Besides the direct income support received by poor households, social protection programs, including social safety nets, contribute to economic growth and reduce poverty at three different levels: (i) individual or micro level; (ii) local economy or meso level; and (iii) national economy or macro level.³⁹ Unfortunately, the magnitude of these indirect effects cannot be estimated ex ante, and it is often difficult to assign proper attribution ex post. Below is a summary of evidence collected in other countries, mostly through rigorous impact evaluation of social safety net programs.

3. At the individual (micro) level, such projects can build human capital, improve health leading to higher productivity, empower and support poor individuals to invest and accumulate productive assets conducive to growth, and provide households with an income that would help them diversify their investment decisions and adopt higher return activities, potentially increasing their income levels.⁴⁰ For example, Mexico's Conditional Cash Transfer (CCT) program called *PROGRESA/Oportunidades* achieved the following impacts: (i) decreased stunting among poorest children in rural areas; (ii) reduced infant mortality; (iii) diminished anemia prevalence; and (iv) reduced incidence of illness, with children in treatment areas being 40 percent less likely to be reported ill after 2 years of program exposure than children in control areas.⁴¹ In another program implemented in Indonesia, as a response to the crisis of 1997-98, the Government launched the *Jaring Pengamanan Sosial* scholarship program and waivers of health care fees to avoid a drop in school enrollment and health care access. The evaluation found that

³⁹ Alderman, H, and Yemtsov, R (March 2012). *Productive Role of Safety Nets*. Background Paper for the World Bank 2012–2022 Social Protection and Labor Strategy. Discussion Paper No. 1203

⁴⁰ *Ibid.*

⁴¹ *Ibid* based on evidence from: (i) Skoufias, E. (2001). *Progresa and Its Impact on the Human Capital and Welfare of Households in Rural Mexico*. A Synthesis of the Results of an Evaluation by IFPRI. Washington DC: international Food Policy Institute; (ii) de Janvry, A. and E. Sadoulet. (2006). *Making Conditional Cash Transfer Programs More Efficient: Designing for Maximum Effect of the Conditionality*. *World Bank Economic Review* 20(1): 1 - 29; and, (iii) Behrman, J. and J. Hoddinott. (2005). "Programme Evaluation with Unobserved Heterogeneity and Selective Implementation: the Mexican PROGRESA Impact on Child Nutrition," *Oxford Bulletin of Economics and Statistics* 67(4):547-569.

the program mitigated the impact of the crisis on these expenses and enabled households to stabilize their consumption and reduce child labor.⁴²

4. At the local (meso) level, social protection programs can enable the creation of community assets (through public works programs), economic spillovers from increased demand and positive externalities, and better functioning of local labor markets.⁴³ There is a concern that participation in social protection programs may lead to dependency. However, in general, such effects are not empirically observed in the developing world. For example, a review on the impact of SSNs revealed that most of the programs that do not directly affect labor supply have no indirect impact on it.⁴⁴ Studies in Mexico and South Africa suggest that transfers actually make work more feasible as eligible individuals can afford bus fares and presentable clothes for work.⁴⁵

5. At the national economy (macro) level, social protection programs act as stabilizers of aggregate demand, promote social cohesion, improve resource allocation and availability, and enable growth-enhancing reforms (e.g., removal of universal fuel subsidies) to become more politically feasible. In an economy with an aggregate demand constraint, increased consumption by the poor enabled through SSNs can lead to short/medium term growth through stabilizing impact (increased output) and improved long term growth prospects.⁴⁶ Indeed, there is evidence that the poor consume different goods and services than the non-poor, with a higher share spent on non-tradable goods. For example, low-income households in South Africa spent relatively high proportions of their income on domestic goods and services, which favored domestic and local industries and enhanced the country's trade balance.⁴⁷ In addition, social protection initiatives have proven to reduce the potential for social tensions/unrest, insecurity, and crime by reducing poverty and inequality. In fact, as post-conflict states face substantial challenges – such as political instability, weak institutional capacity, violence, and poor governance – Social Protection initiatives can promote sustainable peace through the stimulation of broad-based and pro-poor growth and employment.⁴⁸ For example, in Kenya, a direct cash transfer program was implemented in communities hosting the displaced following the violence that erupted in 2007, which led to a large-scale destruction of buildings, disruption of labor markets and displacement of around 300,000 individuals. The evaluation revealed that, in terms of social cohesion, the program reduced tensions, allowed people to feel safer again, re-established trust and led to participants reporting higher encouragement to restart their lives.⁴⁹

⁴² IEG. (2011). Assessing the Development Impacts of Social Safety Nets through Impact Evaluations. The World Bank. Companion Volume to IEG Evaluation of Social Safety Nets. Washington DC: World Bank.

⁴³ Alderman, H, and Yemtsov, R (March 2012). *Productive Role of Safety Nets*. Background Paper for the World Bank 2012–2022 Social Protection and Labor Strategy. Discussion Paper No. 1203

⁴⁴ *Ibid.*

⁴⁵ *Ibid* based on evidence from: (i) Marcus, R. (2007). Tackling Obstacles to Social Protection for Chronically Poor People. Chronic Poverty Research Centre, Policy Brief No. 3. Manchester, UK: Chronic Poverty Research Centre (CPRC); and, (ii) Ardington, C., A. Case, and V. Hosegood. (2009). Labor Supply Responses to Large Social Transfers: Longitudinal Evidence from South Africa, *American Economic Journal: Applied Economics* 1(1): 22- 48.

⁴⁶ *Ibid.*

⁴⁷ *Ibid* based on evidence from Williams, M. (2007). The Social and Economic Impacts of South Africa's Child Support Grant. Research Paper No. 40. Cape Town. South Africa: EPRI.

⁴⁸ *Ibid.*

⁴⁹ Henderson, M. and S. Pietzsch (2008). Direct Cash Transfer to Post Election Violence Affected Host Community: Nakuru, South Rift Valley, Kenya. Action Contre la Faim (ACF) International Network.

6. With these impacts of social protection programs in mind, the project considered several alternatives to supporting a national-level government-provided PMT-targeted social safety net program, such as NPTP. One alternative is to preserve the pre-NPTP non-government provision of social assistance through political and religious organizations. As mentioned above, this can result in under-coverage of the poor and vulnerable that might not have a political or religious affiliation and in inefficient distribution of SSN resources to the non-needy clients of such organizations. Another alternative is for the government to devolve the responsibility for SSN provision to the subnational level, with local governments or communities determining eligibility and distributing benefits. Given the political structure of Lebanon and the varying extent of administrative capacity in local institutions, this alternative was rejected in favor of building capacity at the central level in terms of SSN program administration but involving local branches of MOSA, i.e., SDCs, in encouraging take-up of the program, registering applicants, and conducting household visits as part of the eligibility determination process. Finally, NPTP faced many options for determining the targeting method: categorical, geographical, means-tested, proxy means tested, and community targeting. As pointed out in the literature on targeting methods (most recently, in Silva et al. 2012), categorical and geographical targeting methods work best when poverty is very concentrated in terms of either location (urban slums or remote rural areas) or in categories (by age, gender, or family status). Since poverty in Lebanon is complex and multi-faceted, these targeting methods were rejected. Means tests (i.e., income based eligibility) work well in countries with well-developed and synchronized information systems that can allow for verification of income information, which is otherwise often unreliable; moreover, means tests do not work well in environments with high informality. Since Lebanon has a high rate of informality as well as a dearth of reliable information on income, means tests were also rejected. Finally, community targeting was rejected due to the post-conflict environment and the fragility of community relations in the country. The chosen targeting method – proxy means test – has been demonstrated to work well in countries with high informality and unreliability of income information, and it relies on an objective assessment of a household’s welfare based on observable correlates of living standards.

7. In regards to the rationale for the e-card food component: Geographically the majority of Syrian refugees are located in regions already having high poverty rates and NPTP beneficiaries, deepening the vulnerability of the Lebanese in these areas as competition for jobs, services and resources increases. Figure 2 maps the significant overlap between Syrian refugees and NPTP Beneficiaries. As of January 2014, 30 percent of refugees (247,565 individuals) reside in North Lebanon coinciding with 50 percent of NPTP beneficiaries (90,585 individuals), while 35 percent of refugees (290,532 individuals) coincide with 22 percent of NPTP beneficiaries (42,208 individuals) in the Bekaa. Introduction of the e-card food component stems from the urgent need to align the benefits so as to help reduce tensions and conflict between the two communities. Moreover, 77 percent of the bottom 50,000 NPTP beneficiaries that will receive e-card food vouchers in the first year reside in North Lebanon, while 14 percent reside in Bekaa. Figure 1 below provides a detailed mapping of those beneficiaries at the Caza level.

Figure 1: Distribution of NPTP Household Beneficiaries and Syrian Refugees

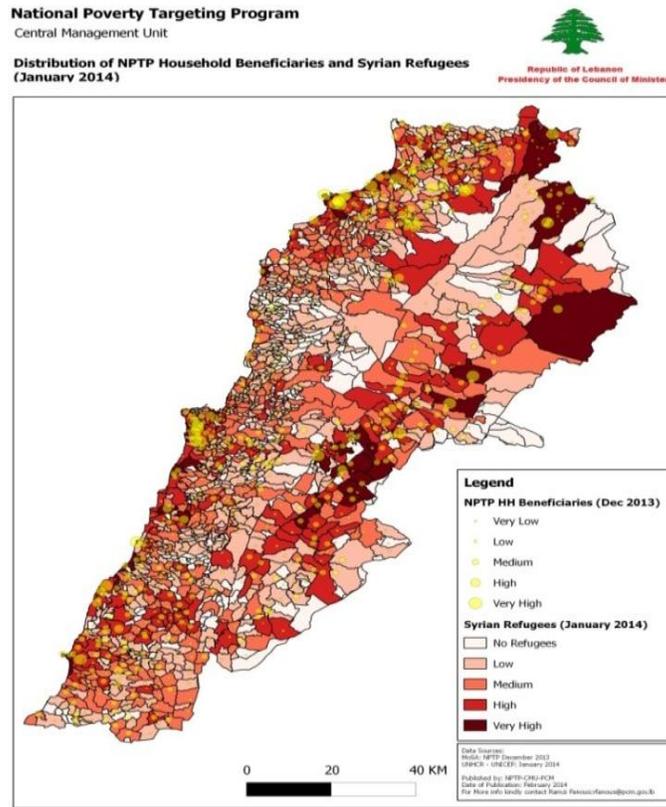
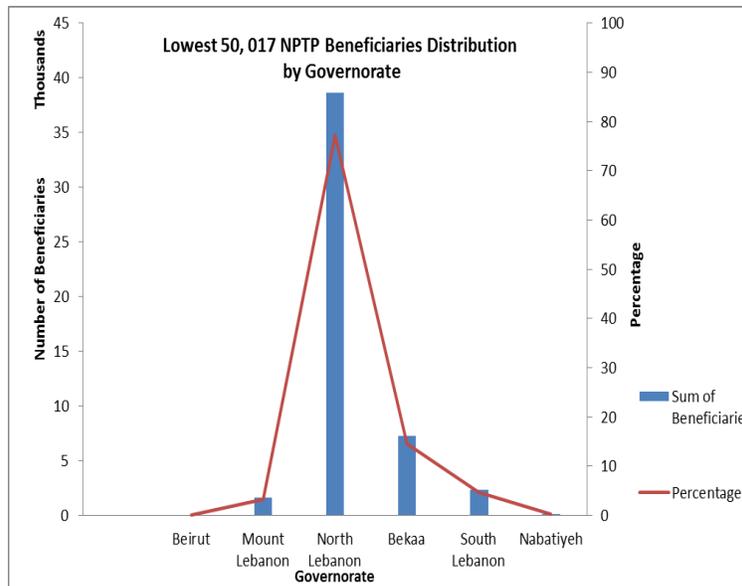


Figure 2: Lowest 50,017 NPTP Beneficiaries Distribution by Governorate and Caza



Expected Economic Implications

8. This basket of benefits is expected to have economic impacts on two levels: (1) household; and (2) aggregate. On the household level, the NPTP is expected to increase disposable income and consumption of extremely poor households, and it may improve their education and health outcomes, if it effects behavioral changes in the utilization of education and health services. On the aggregate level, this program is expected to reduce the level of extreme poverty and inequality in the country, and it may increase aggregate utilization of health, education and e-card food services with all the corresponding externalities these changes imply.

9. Eligible households can be divided into four groups based on their expected utilization of each benefit in the NPTP basket: marginal, infra-marginal, and unaffected households. The overall economic benefit of NPTP depends on how many households find themselves in each column with respect to each of the NPTP benefits. More details are provided in Table 1 below.

Table 1: Benefits of NPTP based on groups to which the household belongs

	Marginal households (whose behavior changes due to NPTP benefit)	Infra-marginal households (whose behavior does not change due to NPTP benefit but whose overall consumption level increases)	Unaffected households (who cannot use NPTP benefit because they do not consume the service)
Education benefits	Households currently not sending their eligible children to school due to high costs involved in the fees and textbooks. <u>Benefit of NPTP:</u> enroll or keep their eligible children in school and reap long-term benefits of higher human capital without having to reduce their current consumption basket (unless those children were working before, and sending them to school implies losing that income)	Households already sending their eligible children to school and paying the education fees out of pocket. <u>Benefit of NPTP:</u> use the NPTP benefit as an injection of cash, which allows them to increase consumption of goods and services other than eligible children’s education.	Households without children of eligible ages or those for whom NPTP educational benefits do not cover the private costs of sending children to school (perhaps due to the opportunity cost of children’s earnings or other costs, such as school clothing and supplies) <u>Benefit of NPTP:</u> None
Health benefits (Hospitalization waivers)	Households with access to MOPH hospitalization fee waivers and unmet needs for hospital care but who cannot afford to pay the copayment <u>Benefit of NPTP:</u> obtain needed health services for their members, who otherwise would go untreated, and reap the long-term benefit of better health without having to reduce their current consumption basket	Households with access to MOPH hospitalization fee waivers and who can afford to pay the copayments for all the care they need <u>Benefit of NPTP:</u> use the NPTP benefit as an injection of cash, which allows them to increase consumption of goods and services other than hospital care	Households which for some reason or other (presence of other insurance that prevents their eligibility for MOPH hospitalization fee waivers, rationing of these fee waivers, etc.) do not have access to MOPH hospitalization fee waivers, or those which do not consume hospital care. <u>Benefit of NPTP:</u> None
Health benefits (Chronic disease drugs)	Households with chronically sick members who cannot afford to pay the medicines <u>Benefit of NPTP:</u> obtain needed medicines for their members, who otherwise would go untreated, and reap the long-term benefit of better health without having to reduce their current	Households with chronically sick members who can afford to pay the cost of chronic disease drugs <u>Benefit of NPTP:</u> use the NPTP benefit as an injection of cash, which allows them to increase consumption of goods and services other than chronic disease drugs	Households without chronically sick members whose drugs would be covered under this program (assuming the list of diseases / drugs is not exhaustive) <u>Benefit of NPTP:</u> None

	consumption basket		
Health Benefits (Primary Healthcare Centers)	Households who cannot afford to pay for a doctor's visit. <u>Benefit of NPTP:</u> The NPTP will cover US\$5 of the US\$7 fee for primary healthcare visits, and patients will receive all needed medication upon visit.	Households who can afford to pay for a doctor's visit but would rather use the money for other needs. <u>Benefit of NPTP:</u> use the NPTP benefit as an injection of cash, which allows them to increase consumption of other goods and services.	Households that do not use this service. <u>Benefit of NPTP:</u> None
E-Card Food Voucher Benefits	Households that cannot afford their minimum caloric intake without the food voucher, especially as a result of the Syrian crisis. <u>Benefit of NPTP:</u> obtain needed food for all family members on a monthly basis.	Households that are paying for their food needs at the expense of non-food items. <u>Benefit of NPTP:</u> Use the NPTP as an injection of cash, which allows them to increase consumption of goods and services other than food.	No affected households <u>Benefit of NPTP:</u> None

10. The economic impact of NPTP on the aggregate level would be achieved through the reduced extreme poverty and inequality in Lebanon as well as the realized positive externalities from greater utilization of health and education services as well as e-card food voucher benefit. The benefits arising from externalities cannot be estimated ex ante due to inherent uncertainty regarding the share of marginal households in the eligible population as well as the magnitude of such externalities.

Projected Number of Beneficiaries and estimated annual value of NPTP benefits

11. The total number of eligible beneficiaries of NPTP benefits as of January 2014 is 195,000 individuals. The number of eligible beneficiaries is expected to increase at a more than 20 percent annual rate as shown in the Table 2 below.

Table 2: Eligible Beneficiaries

Number of Eligible Beneficiaries 1/	Year 1	Year 2	Year 3
TOTAL	243,750	292,500	350,000

1/ Year 1 refers to 2014/2015, Year 2 to 2015/2016, and Year 3 to 2016/2017 respectively.

Expected Number of Beneficiaries increase at a 25% annual rate in 2014, and a 20% increase in 2015 and 2016.

12. The annual costs associated with each benefit can be found in **Error! Reference source not found.** Finally, Table 4 below shows a breakdown of the project costs by benefit and source of funding.

Table 3: Benefits/Costs per beneficiary (US\$)

Yearly Cost/Beneficiary 1/	Year 1	Year 2	Year 3
	(In USD)		
Health			
Hospitalization	300	300	300
Primary Healthcare Services-MOPH 2/	32	32	32
Medication (Chronic)	200	200	200
Education	70	90	100
E-card Food Voucher 3/	360	360	360

Source: MOSA NPTP Team & World Bank Staff Calculations

1/ Year 1 refers to 2014/2015, Year 2 to 2015/2016, and Year 3 to 2016/2017 respectively.

2/ Assuming one visit per beneficiary every two months. (the average cost per visit is US\$7, of which US\$5 will be paid by the NPTP.)

3/ US\$30 per beneficiary per month-for a maximum of 6 members per household.

Table 4: Total Cost of Benefits

Total Cost of Benefits 1/	Year 1	Year 2	Year 3	Total
	(In millions of USD)			
Health	16.5	19.8	26.0	62.3
Hospitalization	11.0	13.1	15.8	39.9
Primary Healthcare Services-MOPH	2.3	2.8	5.6	10.7
Medication (Chronic)	3.2	3.8	4.6	11.6
Education	3.4	5.3	7.0	15.7
E-card Food Voucher	18.0	36.0	70.2	124.2
Total	37.9	61.1	103.2	202.2
Of which from Government (Health & Education)	19.9	25.1	33.0	78.0
Of which TFL and UNHCR	6.8			
Of which from Other (E-card food)	11.2	36.0	70.2	117.4

Source: MOSA NPTP Team & World Bank Staff Calculations

1/ Year 1 refers to 2014/2015, Year 2 to 2015/2016, and Year 3 to 2016/2017 respectively.

13. **The expected coverage rate of extremely poor individuals by the end of the project.** We are making the assumption that, by 2016/2017, 100 percent of extremely poor households will be covered with NPTP benefits. Since we are using 2004 HBS data to simulate NPTP impact, we are assuming that the extreme poverty line is US\$3.84 per capita per day, and that 7.2 percent of the population (or 306,251 individuals) were extremely poor in that year, in addition to the addition 1percent extreme poor (50,000 individuals) as a result of the Syrian crisis in 2014.

NPTP currently (in 2013) covers $195000/356,251 = 55$ percent of extremely poor individuals (assuming that all the current NPTP beneficiaries are extremely poor, i.e., there are no errors of inclusion). Thus, 100 percent coverage rate assumes faultless outreach achieved by 2016/2017 assuming that in 2015 and 2016 the number of extreme poor remains constant.

Budget Projections

14. In terms of budget implications of the NPTP benefits, if the target is to reach all the extremely poor in Lebanon by 2016/2017 the number of beneficiaries would need to increase by more than 20 percent annually. The budget needed by 2016 would reach close to US\$107 million. This would increase government expenditure on the NPTP from 0.08 percent of GDP in 2014/2015 (0.25 percent of total government expenditure) to 0.18 percent of GDP in 2016/2017 (0.57 percent of total government expenditure).⁵⁰ While this constitutes an increase in spending on social safety nets, Lebanon has the lowest SSN spending as a share of GDP in the MENA region, implying substantial space for increasing the level of this expenditure.⁵¹ Moreover, these figures are congruent with the best-performing SSN programs, such as Mexico's Oportunidades, which covers about 30 percent of population at the cost of 0.3-0.5 percent of GDP (see Table 5 below).

Table 5: NPTP Benefit Budget Projections

Year 1/	Year 1	Year 2	Year 3	Total
NPTP HH beneficiary	53,466	64,159	76,772	76,772
NPTP Ind. beneficiaries	243,750	292,500	350,000	350,000
NPTP Budget (US\$)	42,092,995	64,835,246	106,925,583	213,853,870
NPTP Budget as a % of GDP	0.08%	0.11%	0.18%	n.a
NPTP Budget as a % of public expenditures	0.25%	0.36%	0.57%	n.a

1/ Year 1 refers to 2014/2015, Year 2 to 2015/2016, and Year 3 to 2016/2017 respectively.

Source: GDP and government expenditures projections are based on World Bank estimates.

⁵⁰ GDP and government expenditures projections are based on World Bank estimates

⁵¹ Silva et al. (2012), *Inclusion and Resilience: The Way Forward for Social Safety Nets in the Middle East and North Africa*, Washington: World Bank.

Annex VII: Map

LEBANON Emergency National Poverty Targeting Program Project

